United States Court of Appeals

for the Second Circuit



APPELLANT'S APPENDIX

76-1115

76-1116

Brfs

In The

United States Court of Appeals

For The Second Circuit

UNITED STATES OF AMERICA,

Plaintiff-Appellee,

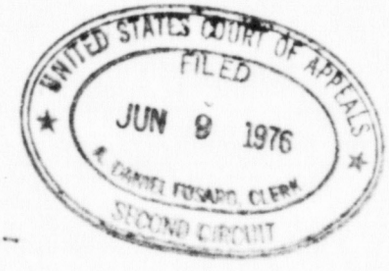
-against-

JAMES E. CORR, III, et al.,

Defendant-Appellant.

On Appeal from a Judgment of the United States District Court for the Southern District of New York.

APPENDIX



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CRIMINAL DOCKET
UNITED STATES DISTRICT COURT

D. C. Form No. 100 Rev.

JUDGE WEINFELD

75 CRIM. 803

TITLE OF CASE	ATTORNEYS
THE UNITED STATES	For U.S.:
vs.	Ira Lee Sorkin, AUSA.
1. JAMES E. CORR, III,-1-42 3/5/76	791-~~1983~~ 1025
2. R. BRUCE BUSCHBAUM-1,12-33 3/5/76	
3. ROGER DRAYER-1,12-33 3/5/76	
4. BARRY DRAYER-1,12-33 3/2/76	
5. BARRY CHAJET-1,12-33 3/4/76	
6. ALLAN KERN-1,10-33 3/5/76	
7. WILLIAM MURPHY-1,12-33	
8. RICHARD SOBEL-1,12-33 3/5/76	For Defendant:
	see sep. sheet for Attorneys

(04) STATISTICAL RECORD	COSTS		DATE	NAME OR RECEIPT NO.	REC.	DISB.
J.S. 2 mailed	Clerk					
J.S. 3 mailed	Marshal					
Violation	Docket fee					
Title See below						
Sec.						

DATE	PROCEEDINGS
	18:371 Consp. to commit stock fraud.(Ct.1)
	15:77(e)Sale of unregis. stock.(Cts.2-11)
	15:77q,78ff Securities fraud.(Cts.12-22)
	18:1341 Mail fraud.(Cts.23-33)
	18:1014 False loan application.(Ct.34)
	18:1623 Perjury(Cts.35&36)
	18:1001 False statements.(Cts.37-42) Forty Two Counts)
8-13-75	Filed indictment.
8-25-75	Deft. Corr(atty. present) Pleads not guilty. Bail fixed in the sum of $75,000. P.R.B. secured by at least $10,000. in negotiable stocks. Deft. is given 10 days to post bail. Bail limits include continental U.S., Mr. Sorkin AUSA, to be informed as to the whereabouts of deft. Deft. ordred photographed and fingerprinted. Deft. Buschbaum- Court directs entry of not guilty plea. Bail fixed in the sum of $5,000, P.R.B. Bail limits to include continental U.S., deft to inform Mr. Sorkin of his whereabouts. Deft. ordered photographed & fingerprinted. Referred to Mag. for assignment of counsel. Owen, J.

(Over)

75 CRIM 803 E.W.

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DATE	PROCEEDINGS
3-25-75	R. Drayer(atty. present) Pleads not guilty. Bail $5,000. P.R.B. Bail limits to include continental U.S.-Mr. Sorkin to be informed of defts. whereabouts. Deft. ordered photographed and fingerprinted.
	B. Drayer(atty. present) Pleads not guilty. Bail $10,000. P.R.B. Bail limits continental U.S., Mr. Sorkin to be informed of whereabouts. Deft. ordered photographed and fingerprinted.
	Deft. Chajet(atty. present) Pleads not guilty. Bail $10,000. P.R.B. Ordered photgraphed and fingerprinted.
	Kern(atty. present) Pleads not guilty. Bail $10,000. P.R.B. Deft. ordered photographed and fingerprinted.
	Deft. Murphy(atty. present) Pleads not guilty. Bail $10,000. P.R.B. Ordered photographed and fingerprinted.
	Deft. Sobel(atty. present) Pleads not guilty. Bail $10,000. P.R.B. Bail limits include entire U.S. provided he inform Mr. Sorkin, AUSA. of whereabouts. Deft. ordered photographed and fingerprinted.
	All defts. given 45 days for motions. All defts. to surrrender passports to AUSA Mr. Sorkin. Case assigned to Judge Weinfeld for all purposes. Owen,J.
08-25-75	ALAN KERN- Filed unsecured P.R.B. - $10,000. - CLERK
08-25-75	RICHARD SOBEL- Filed unsecured P.R.B. - $10,000. - CLERK
08-25-75	BARRY DRAYER- Filed unsecured P.R.B. - $10,000. - CLERK
08-25-75	BARRY CHAJET- Filed unsecured P.R.B. -$10,000. - CLERK
08-25-75	ROGER DRAYER- Filed unsecured P.R.B. - $5,000. - CLERK
08-25-75	JAMES E. CORR, III- Filed unsecured P.R.B. - $75,000. -- CLERK
08-28-75	Kern- Filed notice of appearance
08-28-75	Barry Drayer- Filed notice of appearance
08-28-75	Roger Drayer- Filed notice of appearance — see appearance sheet for Attorneys of record
08-28-75	Chajet- Filed notice of appearance
08-28-75	Corr- Filed notice of appearance
-02-75	CHAJET--(deft. and atty. Michael Richman,present)--deft. withdraws plea of not guilty and pleads guilty to ct. 1. PSI ordered. Sent. adj. to Friday,Oct. 10,1975 at 10am in Rm.128. Bail contd. as previously fixed in theam . of $10,000 PRB. Cts. 12 thru 33 remain open. Weinfeld,J.
-02-75	CHAJET--deft. and atty. Michael Rehman,present--Deft. withdraws plea of not guilty and pleads GUILTY to ct. 1. PSI ordered. Sent. adj. to Friday, Oct. 10,1975 at 10am in Rm.128. Bail contd. as previously fixed in the amt. of $10,000 PRB. Cts. 12 thru 33 remain open. Weinfeld,
-09-75	ALL DEFTS.--Case called.All defts. given to Oct. 7,1975 to make motions. Defts. & their attys. to appear this date in Rm.128 at 2:15pm. Weinfeld.

- see p. 2 -

DATE	PROCEEDINGS
09-26-75	WILLIAM MURPHY--Filed defts. affdt. and notice of motion granting severance and a separate trial as to said deft.,ret. on: Oct. 7,1975 at 2:15pm in Rm.128.
09-26-75	WILLIAM MURPHY--Filed defts. memorandum of law in support of above motion.
09-29-75	BARRY DRAYER--Filed defts. affdt. and notice of motion to dismiss indictment,etc. as indicated. ret. on: Oct. 7,1975 at 2:15pm in Rm. 128.
09-29-75	JAMES CORR--Filed defts. memornaudum in support of motion to dismiss certain cts. of indictment and for severance.
09-29-75	JAMES CORR-- Filed defts. affdt. and notice of motion for particulars and for discovery,ret. on: Oct. 7,1975 at 2:15pm in Rm.128.
09-29-75	JAMES CORR-- Filed defts. affdt. and notice of motion for dismissal of indictment and for severance,ret. on: Oct. 7,1975 at 2:15pm in Rm. 128.
10-2-75	R. BRUCE BUSCHBAUM--Filed defts. affdt. and notice of motion for severance from other defts. and for a non-jury trial,etc. ret. on: Oct. 7,1975.
09-30-75	BARRY DRAYER--Filed defts. memorandum in support of defts. motion to dismiss indictment.
09-30-75	SOBEL--(deft. and atty. Thomas O'Brien,present)--deft. withdraws previous plea of not guilty and enters plea of GUILTY to ct. 14 only. PSI ordered. Sent. adj. to Friday,Nov. 7,1975 at 10am in Rm.506. Bail contd. as previously fixed at $10,000 PRB. Bail limits to include continental U.S. provided Mr. Sobel informs AUSA Sorkin of his whereabouts. Defts. passport to remain with AUSA. Cts. 1,12, 13, 15 thru 33 remain open. Weinfeld,J.
10-3-75	JAMES CORR,III--Filed defts. affdt. of Michael Lesch in opposition to prosecution's motion for an Oct. or Nov. 1975,trial date.
10-7-75	BUSCHBAUM--Defts. motion for severance and a separate trial and a non-jury trial on stipulated facts is granted. Trial date for ALL OTHER DEFTS. is set for Tuesday, Dec. 9,1975 at 10am in Rm.518. The court dismisses cts. 35 thru 42 on its own motion, as to all defts. Weinfeld,J.
10-8-75	ROGER DRAYER--Filed defts. memorrandum of law.
10-8-75	Filed govts. memornaudm of law.
10-8-75	Filed govts. affdt. in oppostionby Ira Sorkin to defts. Corr, B. Drayer and Murphy.
10-8-75	Filed govts. bill of particulars and motion for discovery and inspection.

(over)

DATE	PROCEEDINGS
)-14-75	KERN-- (deft. not present;atty. Mark Landsman is present)-- deft. withdr plea of not guilty and pleads GUILTY to ct. 1. PSI ordered. Sent. adj. to Friday, Nov. 7,1975 at 10 am in Rm.506.. Bail contd. as previously fixed at $10,000 PRB.. Cts. 10 thru 33 remain open. Weinfeld,J.
10-14-75	CORR--Filed memo end. on defts. motion dated Sept. 29,1975 to dismiss certain cts. of indictment---Motion for severande and dismissal of certain cts. is denied. Weinfeld,J. m/n
)-14-75	Filed govts. affdt. and notice of motion to set a trial date by Nov. 17,1975 and not before Oct. 27, 1975.
)-14-75	Filed memo end. on above motion--Govts. motion for trial date by Nov. 17,1975 is denied. Trial date is set for Dec.9,1975. So ordered, Weinfeld,J. m/n
)-14-75	CORR--Filed memo end. on defts. motion dated Sept. 29,1975 for bill of particulars from govt,etc.---Defts. motion for bill of particulars is disoposed of as indicated on stenographic record. Motion for discovery is denied. So ordered, Weinfeld,J. m/n
)-14-75	WILLIAM MURPHY--Filed memo end. on defts. motion dated Sept. 26,1975 for severance and a separate trial--Motion is denied. So ordered, Weinfeld,J. m/n
)-14-75	BUSCHBAUM--Filed memo end. on defts. motion dated 10/2/75 for non-jury trial---Defts.motion for severance and a separate non-jury t rial is GRANTED and adj. sine die. Defts. motion for an order for psychiatric examination is granted. So ordered, Weinfeld,J. m/n
0-14-75	DRAYER--Filed defts. affdt. and notice of motion for severance,ret. on: Oct. 7,1975.
0-14-75	--DRAYER--Filed memo end. on above motion--Motion is denied. So ordered, Weinfeld,J. m/n
-10-75	BUSCHBAUM--Filed order--ORDERED that Dr. Abrahamsen,MD a qualified psychiatrist be employed to examine said deft. on Oct. 20,1975 at 10:30am at said doctor's office to determine defts. mental conditio ORDERED that the doctor prepare a written report and it be submitted t Judge Weinfled by Oct. 31,1975 and ORDERED that the US Atty's office pay a reasonable fee for said services of Dr. Abrahamsen. Weinfeld,J. m/n
-21-75	USCHBAUM--(atty.J. Stone and deft. present)--Deft. withdraws plea of not guilty and enters plea of guilty to ct.1 of indictment. PSI ordere Sentence adj. to Friday, N v. 21,1975 at 10am in Rm.518. Bail contd. as previously fixed at $5,000 PRB. Cts. 12thru 33 remain open. Wenfeld,J.
4-20-75	Filed transcript of record of proceedings, dated Sept 2, 1975
-21-75	Govts. motion to join this d indictment with 75 CR 1059 for trial is granted. (see docket entries on 75 CR 1059).

(2 pgs)

USA VS CORR ET AL WEINFELD,J.

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DATE	PROCEEDINGS	Date Order or Judgment Note
24-75	Filed for deft. CORR, affdt. and notice of motion for dismissal of cts. 2 through 8 and ct. 10 in 75 CR 1059 indictment,etc, ret. on: Nov. 25,1975 at 2:15pm in Rm.518.(see 75 CR 1059)	
24-75	CORR--Filed defts. memorandum of law in support of above motion. (see 75 CR 1059)	
28-75	JAMES E. CORR, III- Filed memoe endorsed on deft's motion filed 11-24-7 Defendants motion to dismiss certain counts is granted as to counts 3 and 5 and is denied as to all other counts. - So ordered. - Weinfeld, J. m.n. (filed in 75 CR 1059)	
-75	Filed transcript dated Oct. 7,1975.	
11-75	STERLING GRACE & CO.INC.(not a party to this action)--filed said partie's affdt. of Thomas Espositio in opposition to deft. JAMES CORR,III motion to hold said party in comtempt,etc.(also see 75 CR 1059)	
-75	CORR--Filed defts. affdt. and OSC--ORDERED that Sterling Grace and Co.,Inc. show cause on Dec. 11,1975 at 5pm why an order should not be issued hold Sterling Grace in contempt,etc.;ORDERED that personal service be made by Dec. 10,1975 by 5pm. Weinfeld,J.(also see 75 CR 1059)	
2-75	CORR--Filed memo end. on OSC(above)--Motion disposed of as indicated upon the record. Weinfeld,J. m/n(also see 75 CR 1059)	
-75	R. SOBEL--Filed transcript of record of porceedings dated Sept. 30,1975.	
76	R.B. BUSCHBAUM--Filed transcript of record of proceedings dated Oct. 21,1975.	
-75	JAMES CORR ROGER DRAYER BARRY DRAYER--- Jury trial begun beforeWeinfeld,J. and also on 75 CR 1059 as to Corr only.	
0-75	CORR,R.DRAYER & B. DRAYER--jury trial contd.	
1-75	" " " "	
5-75	" " " "	
6-75	" " " "	
7-75	" " " "	
8-75	" " " "	
9-75	" " " "	
22-75	" " " "	
23-75	" " " "	
24-75	" " " "	
26-75	" " " "	
29-75	" " " "	
30-75	" " " "	
31-75	" " " "	
-76	"	

DATE	PROCEEDINGS	Date Order Judgment
-76	CORR,R,DRAYER,B,DRAYER--Jury trial contd. --Ct. withdraws cts. 18,20 & 26.	
-76	" "	
-76	" "	
-76	" "	
-76	" "	
2-76	" "	
3-76	" "	
14-76	" "--Jury returns verdict as to defts. CORR & R. DRAYER-- finds both defts. GUILTY on ALL CTS. Jury ~~xxxxxx~~ continues deliberations as to deft. B. DRAYER. Date of sentence is Friday, March 5,1976 at 2pm in Rm.2703. CORR--bail conditions--$75,000 PRB contd. until Monday,Jan.19,1976 at 11am at which time deft. to post $75,000 cash or surety bond. failure to post $75,000 cash or surety,deft. is to surrender to U.S. Marshal Rm.506. R. DRAYER--bail conditions--$5,000 PRB cntd. until Monday,1/19/76 at 11am at which time deft. to post $1,500 cash or surety bond. Failure to post said bond or cash,deft. to surrender to US Marshal,Rm.506. Weinfeld,J.	
15-76	Trial contd. and concluded. Jury cannot reach a decision as to deft. B. DRAYER. Court declares a MISTRIAL. Weinfeld,J.	
15-76	CORR(atty. present)--bail application made and is granted. Bail reduced to $50,000 cash or surety to be posted by 1/22/76 at 11am. Failure to post $50,000 cash or surety by 1/22/76 at 11am,deft. is to surrender to US Marshal in Rm.506. Weinfeld,J.	
16-76	R. DRAYER--bail application made and is granted. Deft's. time to post bail is ext. from 1/19/76 to 1/22/76 at 11am. Weinfeld,J.	
-21-76	R. DRAYER- Deft. present (Atty. David Murphy appears) - Defts appl. to extent bail limits to the S.E. US is granted, upon condition that he notify his attorney and supply an intineray to the US Attorney before leaving. -- Weinfeld, J.	
1-19-76	Filed defendant Corr's request to charge.	
-19-76	Filed defendant R. Drayer's request to charge.	
-19-76	R. Drayer- Filed defts request for jury instructions.	
-21-76	Corr- Filed defts affdvt. and Order to show cause why an order should not be made ext. time within which a motion for a new trial may be made. - Weinfeld, J.	
-27-76	Corr- Filed memo endorsed on above OSC: Motion disposed as per sytpulation on record. -- Weinfeld, J. (1-20-76) a/n	
-20-76	R. Drayer- Filed appearance bond in the sum of $1,500.00 cash (receipt #64481) -- Clerk.	

(cont'd pg. 7)

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ATE	PROCEEDINGS	Date Order or Judgment Not
-04-76	CORR--Filed defts. affdt. and notice of motion for new trial,etc, ret. on: Feb. 24,1976 at 2:15pm in Rm.706.(also see 75 CR 1059)	
4-76	CORR--Filed defts. memorandum of law in support of above motion.	
-76	CORR-Filed transcript of record of proceedings dated Jan.7,8,9,1976.	
-76	CORR R. DRAYER B.DRAYER--Filed transcript of record of proceedings dated Jan.12, 13,14,15,1976.	
7-76	CORR R.DRAYER B.DRAYER--Filed transcript of record of proceedings dated: Dec.9,10,11,15,16,1975.	
-76	CORR R. DRAYER B.DRAYER -Filed transcript of record of proceedings dated: Dec.23,24,26,29,1975.	
76	CORR R. DRAYER B. DRAYER--Filed transcript of record of proceedings dated: Dec.30,31,1975.	
-76	CORR R.DRAYER B. DRAYER--Filed transcript of record of proceedings dated Dec.5,1975.	
-76	CORR--Filed transcript of record of proceedings dated Jan.20,1976.	
-76	CORR B.DRAYER R. DRAYER--Filed transcript of record of proceedings dated Dec.17, 18,19,22,1975.	
-76	CORR B.DRAYER R. DRAYER--Filed transcript of record of proceedings dated Jan.2,5,6, 1976.	
-76	J. CORR--Filed govts. memorandum of law in opposition to defts. motion for new trial.(also see 75 CR 1059).	
5-76	J. CORR--Filed memo end. on defts.CORR motion dated Feb.4,1976 for new trial--Motion is denied. Weinfeld,J. m/n	
-04-76	J. CORR--Filed defts. sentencing memorandum.	
02-76	B. DRAYER--Filed and entered nolle prosequi. Weinfeld,J.	

DATE	PROCEEDINGS	Date Order Judgment N
-24-76	B. BUSCHBAUM--Filed CJA copy # 2 app authorizing payment to Dr. David Abrahamsen of 1035 5th Ave,NYC 10028 for expert services in the amt. of $250.00. Orig. mailed to AO,Wash.,DC for payment.	
2-24-76	B. BUSCHBAUM--Filed CJA copy #5 authorizing payment to Dr. Abrahamsen for expert services. Weinfeld,J.	
3-05-76	JAMES CORR,III--Filed JUDGMENT #74,205 (atty. Michael Lesch, present)-- the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO AND ONE HALF(2½) YEARS on each ofcts. 1 thru 9; and 11 & 23,24,25 and 27 thru 33 to run concumently with each other; and TWO YEARS(2) on eahc ofcts. 12 thru 17;19 thru 22 and ct. 34 to run concurrent with each other and concurrently with sentence imposed on cts. 1 thru 9 & 11 & 23,24,25,and 27 thru 33. Deft. is FINED $10,000 on ct. 1. Deft. is to stand committed until the fine is paid or he is otherwise discharged according to law. Deft. continued on bail pending appeal on condition that all orders and directions of the Court of Appeals be complied with for a prompt disposition of the appeal. This sentence is to run concurrently with sentence imposed this date on indictment #75 CR 1059. Weinfeld,J.(copies issued 3/10/76).	
3-76	JAMES CORR,III--Filed defts. notice of appeal to the USCA from the judgmnet of 3/5/76 and from the order of 2/25/76 denying defts. motion for new trial. (copies mailed to AUSA and to deft. c/o Spacemaker Sales,Inc., 2430 30th Ave,North,St. petersburg,Fla. 33713)	
3-05-76	ROBER DRAYER--Filed JUDGMENT(atty.Daniel Murphy,present)--the deft. is hereby committed to the custody of theAtty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS,pursuant to Section 3651 of Title 18,USC,as amended with provision deft. be confined in a jail type institution for a period of FOUR 4 MONTHS as provided in the aforesiad section on ct. 1,21,22 & 29,30.31,32,33 to run concurrently with each other. Execution oftheremainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS,subject to the standing probation order of this court. Deft. is to surrender to the U.S. Marshal on Friday, March 12,1976 at 10:30am in Rm.506 absent any application to stay surrender pending appeal. Weinfeld,J.(copies issued 3-10-76)	
3-05-76	RICHARD SOBEL--FILED JUDGMENT (atty. Thomas J.O'Brien,present)-- the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS pursuant to Section 3651 of Title 18,USC as amended with provision deft. be confined in a jail type institution for a period of THREE(3) MONTHS as provided in the aforesaid section on ct. 14. Execution of the remainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order of this court. Cts. 1,12,13,15 thru 33 inclusive are dismissed on motion of defts. counsel with the consent of the govt. Deft. is to surrender to the US Marshal on Friday,March 12,1976 at 10:30am in Rm.506. Weinfeld,J. (copies issued on 3/10/76)	

(on Pg 9)

75 CR 803 USA VS CORR ET AL WEINFELD,J.
CR

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DATE	PROCEEDINGS	Date Order or Judgment Noted
-05-76	ALLAN KERN--Filed JUDGMENT(atty. Mark Landaman,present)-- the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS pursuant To Section 3651 of Title 18,USC as amended with probision deft. be confined in a jail type institution for a period of THREE(3) MONTHS as provided in the aforesaid section on ct. 1. Execution of the remainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order of this court. Cts. 10 thru 33 are dismissed on motion of defts. consel with the consent of the govt. Deft. to surrender to the US Marshal on Friday,March 12,1976 at 10:30am in Rm.506. Weinfeld,J. (copies issued 3-10-76)	
-76	R.BRUCE BUSCHBAUM--FILED JUDGMENT(atty.Joseph Stone,present)-- the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS pursuant to Section 3651 of Title 18,USC as amended with provision deft. be confined in a jail type institution for a period of six(6) months asprovided in theaforesaid section in ct. 1. Exeation of the remainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order of this court. Cts.12 thru 33 are dismissed on motion of defts. counsel with the consent of the govt. Deft. to surrender to the US Marshal on Friday,March 12,1976 at 10:30am in Rm.506. Weinfeld,J.(copies issued 3-10-76)	
5-76	BARRY CHAJET--FILED JUDGMENT(atty. Michael Richman,present)-- the deft. is hereby committed to the custody of theAtty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS,pursuant to section 3651 of Title 18,USC as amended with provision deft. be confined ina jail type institution for a period of FOUR(4) MONTHS as provided inthe aforesaid section on ct. 1. Execution of the remainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order of this court. Cts. 12 thru 33 are dismissed on motion of defts. counsel with the consent of the govt. Deft.to surrender to the US Marshal on Friday,March 12,1976 at 10:30am in Rm.506. Weinfeld,J.(copies issued 3-10-76)	
2-76	BARRY CHAJET--Filed govts. affdt. of Ira L. Sorkin.	
2-76	BARRY CHAJET--Filed defts. affdt. and notice of motion for reduction of sentence with memo end.--Motion for reduction ofsentence is denied. The Court,however,will recommend and amend the judgment accordingly that deft be assigned to the Community Treatment Center for work release. Weinfeld,J. m/n	
1-76	BARRY CHAJET--FILED AMENDED JUDGMENT---judgment of March 5,1976 is amended as follows:---the deft is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) years pursuant to section 3651 of Title 18,USC as amended with provision deft. be comfined in the aforesaid section on ct. 1. Execution of the remainder fo the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order	

(see over)(Entered in error)

DATE	PROCEEDINGS	Date Order Judgment N
	of this court. Deft to surrender to the US Marshal of Friday, March 12,1976 at 10:30AM in Rm.506. The court recommends that the deft. be assiged to the Community Treatment Center for work release. Weinfeld,J.(copies issued 3-15-76)	
-11-76	Filed govts. sentencing memroandum.	
-11-76	BARRY CHAJET--FILED AMENDED JUDGMENT---judgment of March 5,1976 is amended as follows: the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS pursuant to 3651 of Title 18,USC as amended with provision deft. be confined in a jail type institution for a period of FOUR(4) MONTHS as provided inthe aforesaid section on ct.1. Execution of the remainder of the sentence issuspended. Deft. is placed on probation for a period of TWO(2) YRS. subject to the standing probation order of this court. Deft. to surrender to the US Marsha on Friday,March 12,1976 at 10:30am in Rm.506. The court recommends that the deft. be assigned to the community treatment center for work release. Weinfeld, J.(copies issued 3-15-76)	
18-76	ROGER DRAYER--Filed CJA copy #2 appointing Daniel Murphy of 233 Bdwy,NYC 10007(CJA) as defts. atty. Memo is attached from Judge Weinfeld stating that the said amt. asked for by the atty. is being reduced from $6,790,77 to $2,500. Weinfeld,j.(orig. to be mailed,but as of now,it is still within the clerk's office)	
12-76	ROGER DRAYER--Filed defts. notice of appeal to the USCA from the judgment of March 5 1976.(copies mailed to AUSA and to deft. at 142 West End Ave,NYC 10019.)	
17-76	JAMES CORR,III--Filed consent order--ORDERED that the bail limits are extended to allow deft. to make the following trips within four weeks from the date of this order--from Florida to Michigan, etc. as indicated. Weinfeld,J. (also see 75 CR 1059)	
22-76	RICHARD SOBEL--Filed defts. affdt. and notice of motion for reduction of sentence,ret.on: March 23,1976.	
5-76	RICHARD SOBEL--Filed govts. affdt. of Ira Sorkin re:defts. motion for reduction of sentence.	
5-76	RICHARD SOBEL--Filed memo end. on defts. motion dated 3/22/76 for reduction of sentance---Motion is denied for reduction of sentence; it is granted only to the extent that the Court will make a recommendation as set forth in the amended judgment signed this day. Weinfeld,J. m/n	

(see Pg. 11)

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JS 10 Rev. Civil Docket Continuation

DATE	PROCEEDINGS	Date Order or Judgment Note
3-25-76	RICHARD SOBEL--Filed AMENDED JUDGMENT--the judgment of March 5,1976 is amended as follows---the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS pursuant to section 3651 of Title 18,USC as amended with provision deft. be confined in a jail type institutuion for a period of THREE(3) MONTHS as provided in the aforesaid section on ct. 14. Execution of the remainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order of this court. The court recommends that the deft. be assigned to the Community Treatment Center for work release. Weinfeld,J. (copies issued 3-25-76)	
19-76	ALLAN KERN--Filed govts. affdt. of Ira Sorkin re--in response to defts. motion for reduction of sentence.	
3-76	A. KERN--Filed defts. affdt. and notice of motion to reduce sentence with memo end.---Motion for reduction of sentenceis denied. Motion is granted only to the extent taht the court will make a recommendation as set forth in the amended judgment signed this day. Weinfeld,J. m/n	
3-76	ALLAN KERN--Filed AMENDED JUDGMENT--judgment of March 5,1976 is amended as follows:--the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO(2) YEARS pursuant to section 3651 of Title 18,USC as amended with provision deft. be confined ina jail type institution for a period of THREE(3) MONTHS as provided in the aforesaid section on ct. 1. Execution of the remainder of the sentence is suspended. Deft. is placed on probation for a period of TWO(2) YEARS subject to the standing probation order of this court. The Court recommmends that the deft. be assigned to the Community Treatment Center for work release. Weinfeld,J. (copies issued 3-19-76)	
3-76	JAMES CORR,III--Filed consent order that the bail limits are extended so that deft. may make trips from Florida to Wash.,DC etc as indicatd. Weinfeld,J.	
3-76	Filed transcript of proceedings dated 3-5-76	
3-76	ALLAN KERNO--Filed commitment and entered return Deft.delivered to: Warden, Metr. Corr. Ctr. on 3/12/76.	
3-76	BARRY CHAJET--Filed commitment and entered return. Deft. delivered to: Warden, Metr. Corr. Ctr. on 3/12/76.	
	RICHARD SOBEL--Filed commitment and enterd return. Deft. delivered to: Warden,Met. Corr. Ctr. on 3/12/76.	
3-76	R.B. BAUSCHBAUM--Filed commitment and entered return. Deft. delivered to: Warden,Met. Corr. Ctr. on 3/15/76.	
3-76	J. CORRIII--Filed notice that the supplemental record on appeal has been certified and transmitted to the USCA this date.	

DATE	PROCEEDINGS	Date Order Judgment
24-76	Filed notice that the original record on appeal has abeen certified and transmitted to the USCA this date as to deft. JAMES CORR, III.	
30-76	R.B. BUSCHBAUM--Filed CJA copy # 2 appointingv Joseph Stone of 277 Bdwy, NYC 10007 as defts. atty. Orig. mailed to AO, Wash., DC for payment.	
30-76	R.B. BUSCHBAUM--Filed CJA copy # 5 appointing Joseph Stone as defts. Atty. Weinfeld, J.	
2-76	A. KERN--Filed transcript of record of proceedings dated Oct. 14, 1975.	
-76	R. DRAYER--Filed notice that the supplemental record on appe has been certified and transmitted to the USCA this date.	
-76	ALLAN KERN--Filed commitment and entered return. Deft. delivered to: Warden, Met. Corr. Ctr. on 3/23/76.	
5-76	Filed CJA form #20 copy 2 autnorizing payment for Daniel Murphy as atty for deft. dated 5-15-76 WEinfeld, J. (ROGER DRAYER DEFT)	

R 803 E.W. ATTORNEYS OF RECORD 75 CR 803 E.W.
USA v. Corr, et.al.

C, 110 Rev. Civil Docket Continuation

DATE	PROCEEDINGS	Date Order Judgment Ni
3-28-75	James Corr: Shea Gould Climenko Kramer & Case by Michael Leach 330 Mad. Ave., NYC	
	Roger Drayer: Daniel H. Murphy 233 Broadway, NYC 10007 964-7702	
	Barry Chajet: Michael A. Richman 230 Park Ave., NYC 532-2211	
	Barry Drayer: Malcolm H. Bell, 240 Noroton Ave. Darien,Ct. 06820 (203) 655-9390	
	Alan Kern: Kleinman & Landsman 66 Court St. Brooklyn, N.Y. 11201 875-9440	
	William Murphy: Joseph Marchese 1251 Ave. of the Americas NYC 10020 246-7800	
	BARRY DRAYER: Malcolm Bell 240 Noroton Ave. Darien, Ct. 06820 203-655-9390	
	K. BRUCE BUSCHBAUM: Joseph I. Stone 277 Bdwy,NYC 10007 RE 2-2270	

JUDGE/MAGISTRATE: Assigned Trial 0802 | Disp./Sentence | 0208 District | 1 Office

• U.S. vs. CORR, JAMES E.,III — defendant

Mo. 6 | Day 11 | Yr. 75 | Docket No. 1059 | No. of Defdnts 01

U.S. CODE SECTION	OFFENSES	COUNTS
18:1623	Perjury.	1
18:1001	False statements.	2-12

MAGR. CASE NO.

U.S. Attorney or Asst.: Ira Lee Sorkin,AUSA (212) 791-1983

Defense: CJA, Ret., Waived, Self, Numb., Other, LPD, CO — michael lesch, 330 Madison Ave,NYC MO-1-3200

BAIL: Denied; AMT Set (000) $; date; Bail Not Made; Bail Status Changed (See Docket); Personal Rec., Unsecured, Conditional Rele., 10% D., Surety, Collat., 3rd Pa. Custdy, PSA

ARREST	INDICTMENT	ARRAIGNMENT	TRIAL
U.S. Custody Began on Present Charge; Prosecution Deferred	High Risk Defdt. & Date Designated; Information; 11-6-75; Waived; Superseding Indictment/Info.	11-21-75 1st Plea; 11-21-75 Final Plea	Trial Set For 12-22-75; Not Guilty; Nolo; Guilty; Not Guilty; Nolo; Guilty 04-14-76; Voir Dire; Trial Began 12-09-75; Trial Ended; Disposition; Dismissed; Acquitted; Convicted; Appealed; Sentenced; Committed; Not Performed

		DATE	INITIAL/No.
Search Warrant	Issued		
	Return		
Summons	Issued		
	Served		
Arrest Warrant			
COMPLAINT			
OFFENSE (In Complaint)			

INITIAL APPEARANCE — INITIAL/No.

PRELIMINARY EXAMINATION OR REMOVAL HEARING: Date Scheduled; Date Held; Waived; Not Waived; Intervening Indictment

Tape No. — INITIAL/No.

OUTCOME: Dismissed; Held for District GJ; BOND: Exonerated, To Transf. District; Held to Answer to U. S. District Court; AT:

Magistrate's Initials

• Show last names and suffix numbers of other defendants on same indictment/information

V. Excludable Dela. (a) (b) (c)

DATE	PROCEEDINGS
11-6-75	Filed Indictment. Referred to Judge Weinfeld as a related and superceding indictment to 75 Cr. 803-EW. WEINFELD,J.
11-21-75	Deft. (and atty. Michael Lesch,present)--enters plea of not guilty to indictment. Bail contd. $75,000 PRB secured by $10,000 negotiabel stocks which was previously fixed bn indictmetn 75 CR 803 by Magistrate. Bail limits to include continental U.S.. Govts. motion to join this indictment with 75 CR 803 for trial is granted. Weinfeld,J.
11-24-75	Filed defts. and affdt. and notice of motion for dismissal of cts. 1 thru 8 & ct. 10 of this indictment,etc,ret. on: Nov. 25,1975 in Rm.518 at 2:15pm.(filed in 75 CR 803)
11-24-75	Filed defts. memorandum of law in suport of above motion. (filed in 75 CR 803)
11-25-75	Defendants motion to dismiss certain counts is granted as to counts 3 and 5 and is denied as to all other counts. - Weinfeld, J.
11-28-75	Filed memo endorsed on defts. motion filed on 11-24-75: Defts motion to dismiss certain counts is granted as to cts. 3 and 5 and is denied as to all other counts. So ordered. Weinfeld, J. m.n.

DATE	IV. PROCEEDINGS (continued)	V. EXCLUDABLE DELAY (a) (b) (c) (d)
2-11-75	Filed affdt. of Thomas R. Esposito who represents a party by the name of Sterling Grace & Co.,Inc. who is not a party of this action in opposition to deft. CORR's motion to hold said party in contempt.(filed in 75 CR 803)	
-12-75	Filed defts. affdt. and OSC--ORDERED that Sterling Grace and Co.,Inc. show cause on Dec. 11,1975 why an order should not be issued to hold Sterling Grace in contempt,etc.;ORDERED that personal service be made by Dec. 10,1975 by 5pm. Weinfeld,J. (filed in 75 CR 803)	
12-12-75	Filed memo end. on OSC(above)--Motion disposed of as indicated upon the record. Weinfeld,J. m/n(filed in 75CR 803)	
2-9-75	Jury trial begun before Weinfeld,J.(also in 75 CR 803)	
2-10-75	"	
2-15-75	"	
2-16-75	"	
2-17-75	"	
2-18-75	"	
2-19-75	"	
2-22-75	"	
2-23-75	"	
2-24-75	"	
2-26-75	"	
2-29-75	"	
2-30-75	"	
2-31-75	"	
-2-76	"	
-5-76	"(ct.withdraws cts. 18,20 & 26 in 75 CR 803)	
-6-76	"	
-7-76	"	
-8-76	"	
-9-76	"	
-12-76	"	
-13-76	"	
-14-76	Jury trial contd. and concluded. Jury verdict of GUILTY on all cts. Date of sentence is Friday, March 5,1976 at 2pm in Rm.2703. Bail conditions $75,000 PRB contd. until Monday,Jan. 19,1976 at 11am at which time deft. to post $75,000 cash or surety bond. Failure to post $75,000 cash or surety deft. to surrender to US Marshal Rm.506. Weinf	
1-15-76	Deft. and atty. present. Bail application made and is granted. Bail reduced to $50,000 cash or surety to be posted by 1/22/76 at 11am. Failure to post $50,000 cash or surety by 1/22/76 at 11am,deft. is t surrender to US Marshal in Rm.506. Weinfeld,J.	
01-21-75	Filed appearance bond in the sum of $50,000. pending appeal. Midland Insurance Co.	
01-19-76	Filed defts. request charge (filed in 75 CR 803 EW)	
01-21-76	Filed defts affdvt. and OSC for ext. to move for a new trial. - Weinfeld, J. (filed in 75 CR 803)	
01-27-76	Filed memo endorsed on above OSC: Motion disposed of as per stipulation on the record. - Weinfeld, J.	
2-04-76	Filed defts. affdt. and notice of motion ofnew trial,etc,ret.on: Feb. 24,1976 at 2:15pm in Rm.706 (filed in 75 CR 803)	
02-04-76	Filed defts. memorandum of law in support of above motion.	

(pl Pg 3)

Interval | Alibi Date

75 CR 1059 USA VS CORR WEINFELD,J.

DATE	PROCEEDINGS
2-17-76	Filed transcript of record of proceedings dated Jan.7,8,9,1976.
2-17-76	Filed transcript of record of proceedings dated Jan.12,13,14,15,1976.
2-17-76	Filed transcript of record of proceedings dated Dec.9,10,11,15,16,1975.
2-17-76	Filed transcript of record of proceedings dated Dec. 23,24,26,29,1975,
2-17-76	Filed transcript of record of proceedings dated Dec.30,31,1975.
2-17-76	Filed transcript of record of proceedings dated Dec.5,1975.
2-17-76	Filed transcript of record of proceedings dated Jan.20,1976.
2-17-76	Filed transcript of record of proceedings dated Dec.17,18,19,22,1975.
2-17-76	Filed transcript of record of proceedings dated Jan.2,5,6,1976.
2-25-76	Filed govts. memorandum of law in opposition to defts. motion for new trial.(filed in 75 CR 803)
02-25-76	Filed memo end. on defts. motion dated Feb. 4,1976 for new trial--Motion is denied. Weinfeld,j. (filed in 73 CR 803) m/n
03-04-76	Filed defts. sentencing memorandum.(filed in 73 CR 803)
03-05-76	Filed JUDGMENT(atty. Michael Losch,present)--the deft. is hereby committed to the custody of the Atty. General or his authorized representative for imprisonment for a period of TWO & ONE HALF(2½) YEARS on each of cts. 1,2,4,6,7,9,10,11,12 to run concurrently with each other and concurrent with sentence imposed this date on indictment #75 CR 803. Weinfeld,J. (copies issued 3/10/76)
03-05-76	FILED defts. notice of appeal to the USCA from the judgment of this date and from the order denying said defts. motion for a new trial entered on Feb. 25,1976.(copies mailed to AUSA and to deft. c/o Spacemaker Sales Inc. of 2439 30th Ave,North,St. Petersburg,Fla. 33713.)
01-06-76	Court withdraws count 3.
03-11-76	Filed govts. sentencing memorandum.
03-17-76	Filed consent order--ORDERED that the bail limits are ext. to allow deft to make the following trips within four weeks from the date of this order--from Florida to Michigan,etc. as indicated. Weinfeld,J. (filed in 73 CR 1059)
3-30-76	Filed consent order extending bail limits so that deft. may make trips from Florida to Washington,etc, Weinfeld,J.(filed in 73 CR 803)
3-24-76	Filed notice that the original record on appeal has been certified and transmitted to the USCA this date.

ILS:nc
d-619

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

75 CRIM. 803

UNITED STATES OF AMERICA :

-v- : INDICTMENT

JAMES E. CORR, III, : 75 Cr.
R. BRUCE BUSCHBAUM,
ROGER DRAYER,
BARRY DRAYER,
BARRY CHAJET,
ALLAN KERN,
WILLIAM MURPHY and
RICHARD SOBEL,

Defendants. :

U.S. DISTRICT COURT FILED
AUG 13 1975
S.D. OF N.Y.

The Grand Jury charges:

COUNT ONE

1. At all times material to this Indictment, Jerome Mackey's Judo, Inc. ("Judo") was a New York corporation, the shares of which were traded over-the-counter. On or about December 29, 1969, Judo filed a registration statement with the United States Securities and Exchange Commission ("SEC") for sale to the public of no less than 75,000 shares and no more than 132,000 shares, which registration statement was amended to indicate the sale of no more than 165,000 shares and which registration statement became effective on or about August 16, 1971. As of approximately November 23, 1971, Judo sold approximately 104,700 shares to the public.

2. During the years 1971 through 1973 Judo's principal business was teaching self-defense through the application of Judo, Jiu-Jitsu, Karate and other martial arts.

3. At all times material to this Indictment defendant JAMES E. CORR, III was employed by Judo as a financial consultant and was primarily responsible for assisting Judo in such matters, among other things, as

MICROFILM
AUG 13 1975

mergers, franchising, acquisitions, financing and public relations.

4. In or about February, 1972, for the purpose of acquiring greater control over the affairs of Judo, defendant JAMES E. CORR, III would and did acquire 125,000 shares of Judo from co-conspirator Jerome Mackey, which shares constituted approximately 20% of the issued and outstanding securities of Judo.

5. At all times material to this Indictment defendant R. BRUCE BUSCHBAUM was employed as a trader and registered representative by Sterling, Grace & Co., Inc., a registered broker-dealer with the SEC and a member firm of the New York Stock Exchange.

6. At all times material to this Indictment defendant ROGER DRAYER was (a) a principal of Fingerhut & Co., Inc., a registered broker-dealer with the SEC, and (b) a general partner of an investment partnership known as Jenny Associates.

7. At all times material to this Indictment defendant BARRY DRAYER was employed as a registered representative by H. Hentz & Co., Inc. and by Edward A. Viner & Co., Inc., broker-dealers registered with the SEC and members of the New York Stock Exchange.

8. At all times material to this Indictment defendant BARRY CHAJET was employed as a trader and registered representative by Morgan, Kennedy & Co., Inc., a broker-dealer registered with the SEC.

9. At all times material to this Indictment defendant ALLAN KERN was employed as operations manager by Morgan, Kennedy & Co., Inc.

10. At all times material to this Indictment defendant WILLIAM MURPHY was employed as a trader by Piper, Jaffray and Hopwood, Inc., a broker-dealer registered with the SEC and members of the New York Stock Exchange.

11. At all times material to this Indictment defendant RICHARD SOBEL was employed as a registered representative by Cohen, Simonson & Rea, Inc. and CBWL-Hayden, Stone Inc., broker-dealers registered with the SEC and members of the New York Stock Exchange.

Co-Conspirators

12. At all times material to this Indictment Jerome Mackey, named herein as a co-conspirator but not as a defendant, was president of Judo.

13. At all times material to this Indictment Raymond G. Corr, the brother of defendant JAMES E. CORR, III, named herein as a co-conspirator but not as a defendant, was (a) the manager of four judo schools operating under the name of Self-Defense Industries, Inc. and (b) a registered representative employed by Raymond, James and Associates, Inc., a broker-dealer registered with the SEC.

14. At all times material to this Indictment, P. R. Peterson, named herein as a co-conspirator but not as a defendant, was the principal of P. R. Peterson Company, a broker-dealer registered with the SEC.

15. At all times material to this Indictment, Daniel Salant, named herein as a co-conspirator but not as a defendant, was employed as a registered representative by Cohen, Simonson & Rea, Inc. and CBWL-Hayden Stone, Inc.

16. At various times material to this Indictment Dennis Ormond, the brother-in-law of defendant JAMES E. CORR, III, named herein as a co-conspirator but not as a defendant, had brokerage accounts at various brokerage firms, including Morgan, Kennedy & Co., Inc.

17. At all times material to this Indictment Leroy Goldfarb, named herein as a co-conspirator but not as a defendant, was employed as a registered representative by CBWL-Hayden, Stone Inc. and Hartzmark & Co., registered broker-dealers with the SEC and members of the New York Stock Exchange.

The Conspiracy

The Grand Jury further charges:

1. From on or about June 1, 1971, up to and including the date of the filing of this Indictment, in the Southern District of New York and elsewhere, the defendants, JAMES E. CORR, III, R. BRUCE BUSCHBAUM, ROGER DRAYER, BARRY DRAYER, BARRY CHAJET, ALLAN KERN, WILLIAM MURPHY and RICHARD SOBEL, and Jerome Mackey, Raymond G. Corr, P. R. Peterson, Daniel Salant, Dennis Ormond, and Leroy Goldfarb, named herein as co-conspirators but not as defendants, and other persons to the Grand Jury known and unknown, unlawfully, wilfully, and knowingly did combine, conspire, confederate and agree together and with each other to commit offenses against the United States and to violate Title 15, United States Code, Sections 78j(b), 78ff, and Rule 10b-5 (17 C.F.R. Section 240.10b-5) promulgated and issued thereunder by the SEC, and Title 18, United States Code, Section 1341.

Objects of the Conspiracy

2. It was a part of said conspiracy that the defendants and their co-conspirators unlawfully, wilfully and knowingly, directly and indirectly, by the use of means and instrumentalities of interstate commerce and of the mails, would use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of the securities of Judo in contravention of Rule 10b-5 (17 C.F.R. Section 240.10b-5), a rule prescribed by the SEC as necessary and appropriate in the public interest and for the protection of investors.

3. It was further a part of said conspiracy that said defendants and co-conspirators, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, unlawfully, wilfully and knowingly and for the purpose of executing said scheme and artifice and attempting so to do would

cause to be delivered by mail according to the direction thereon, certain matter to be sent and delivered by the Postal Service.

Means of the Conspiracy

4. Among the means by which the defendants and their co-conspirators would and did carry out the conspiracy were the following:

(a) Prior to November 23, 1971, defendant JAMES E. CORR, III, for the purpose of inducing investors James Diamond and Dorsey Buttram to purchase Judo securities in the public offering, would and did guarantee Diamond and Buttram against monetary loss.

(b) In or about February, 1972, and continuing up through approximately May, 1973, defendant JAMES E. CORR, III for the purpose of acquiring control over the "float" and trading activity in Judo securities would and did begin to recommend purchases of the securities of Judo to friends and associates and to direct where such purchases could be executed.

(c) In or about February, 1972, and continuing up through approximately November, 1972, defendant JAMES E. CORR, III, for the purpose of artificially raising the market price of Judo securities and acquiring control of the market price of Judo securities, would and did instruct defendant R. BRUCE BUSCHBAUM to, among other things, make a market in Judo securities, be a buyer of Judo securities and raise the market price of Judo securities by "taking the street" in Judo.

(d) In or about February, 1972, and continuing up through approximately November, 1972, defendant JAMES E. CORR, III would and did instruct defendant R. BRUCE BUSHBAUM to purchase Judo securities for the account of defendant JAMES E. CORR, III and accounts controlled by him for the purpose of avoiding sales into the market from the trading account of Sterling, Grace & Co., Inc., which sales would depress the market price of Judo securities.

(e) In or about March, 1972, and continuing through approximately November, 1972, defendant JAMES E. CORR, III, at 400 East 56th Street and over the telephone, for the purpose of inducing traders and registered representatives to trade Judo securities and to solicit investors to purchase Judo securities, would and did make the following representations, among others, concerning the securities of Judo to the above-mentioned traders and registered representatives:

(i) he controlled Judo stock;

(ii) he knew where substantially all the buyers of Judo stock were situated;

(iii) he had big buyers in the stock of Judo;

(iv) he knew where substantially all the Judo stock was placed;

(v) the market price of Judo securities would double;

(vi) the securities of Judo would sell at approximately $20.00 per share;

(vii) the securities of Judo would sell at approximately $50.00 to $100.00 per share; and

(viii) he was going to raise the market price of Judo.

(f) In or about March, 1972, and continuing through approximately November, 1972, defendant JAMES E. CORR, III, at 400 East 56th Street and over the telephone, for the purpose of inducing traders and registered representatives to trade Judo securities and to solicit investors to purchase Judo securities, would and did make false and misleading representations and omitted to state material facts concerning Judo to the above-mentioned traders and registered representatives.

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(g) In or about March, 1972, and continuing through approximately November, 1972, defendant R. BRUCE BUSCHBAUM would and did fraudulently "park" Judo securities with defendant WILLIAM MURPHY, for the purpose of avoiding sales into the market and depressing the price of Judo securities.

(h) In or about May, 1972, defendant JAMES E. CORR, III would and did offer a payoff to defendant RICHARD SOBEL and co-conspirator Daniel Salant in the form of an option on Judo securities for the purpose of causing them to solicit investors to purchase Judo securities which, in fact, they did do subsequent to said offer.

(i) In or about February, 1972, and continuing through approximately May, 1973, defendant JAMES E. CORR, III, while a control person and insider of Judo, purchased and sold hundreds of thousands of dollars worth of Judo securities in accounts in his own name and in accounts he controlled in the names of Kathleen Keogh, Joseph Sonberg, Dennis Ormond, Lester Van Ess, Jose Cohen, Raphael Ventura, and Irving N. Berman, among others, for the purpose of raising the market price of Judo and selling Judo securities at a profit at the same time that defendant JAMES E. CORR, III was recommending the purchase of Judo to friends, associates, traders and registered representatives.

(j) In or about May, 1972, and continuing through approximately November, 1972, defendant JAMES E. CORR, III would and did direct buy and sell orders to and from defendant BARRY CHAJET for the purpose of avoiding sales of Judo into the market and depressing the price of Judo.

(k) In or about late August or early September, 1972, for the purpose of obtaining buying power in the market for Judo securities defendant JAMES E. CORR, III

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entered into an agreement with Stanley Silver and co-conspirator Leroy Goldfarb whereby Stanley Silver would and did purchase Judo securities and share the profits realized upon the sale of said securities with defendant JAMES E. CORR, III and co-conspirator Leroy Goldfarb.

(l) In or about October, 1972, the defendants JAMES E. CORR, III and ALLAN KERN, for the purpose of (i) giving defendant JAMES E. CORR, III and his friends and associates a profit in Judo securities, and (ii) avoiding Judo being delisted from the National Association of Securities Dealers Automated Quotations ("NASDAQ") would and did fraudulently engage in a "stock swap" whereby defendant JAMES E. CORR, III, while a control person and insider of Judo, sold and caused to be sold approximately 18,500 shares of Judo at approximately $13.00 per share and caused persons he controlled to sell an additional approximately 25,000 shares of Judo at approximately $13.00 per share, which shares were then sold and caused to be sold to customers of Morgan, Kennedy & Co., Inc. by defendant ALLAN KERN at $14.00 per share. In return, customers of Morgan, Kennedy & Co., Inc. sold approximately 60,000 shares of Health Delivery Systems, Inc. to defendant JAMES E. CORR, III and persons controlled by defendant JAMES E. CORR, III.

(m) In or about October and November 1972, when the market price of Judo began to drop, defendants JAMES E. CORR, III and ROGER DRAYER fraudulently placed "wooden tickets" namely, purchases of Judo securities that could not and were in fact not paid for, at the following brokerage firms and for the following approximate amounts for the purpose of supporting the market price of Judo:

(i) H. Hentz & Co. Inc.	$70,000.00
(ii) Dominick & Dominick, Inc.	$150,000.00
(iii) Merrill, Lynch, Pierce, Fenner & Smith, Inc.	$30,000.00
(iv) Sterling, Grace & Co., Inc.	$150,000.00
(v) Margolis & Co., Inc.	$42,000.00

(n) In or about December, 1972, defendants JAMES E. CORR, III and BARRY DRAYER, for the purpose of artificially raising the market price of Judo, fraudulently opened bank accounts and caused bank accounts to be opened at the First Commercial Bank of St. Petersburg, Florida, in the names of Raphael Ventura, Jose Cohen, Lester Van Ess and Dennis Ormond, among others, for the purpose of delivering the securities of Judo against payment to said accounts.

(o) In or about December, 1972, defendants JAMES E. CORR, III and BARRY DRAYER, for the purpose of artificially raising the market price of Judo, fraudulently opened brokerage accounts and caused brokerage accounts to be opened at Raymond, James and Associates, Inc. and purchased securities of Judo in the names of Raphael Ventura, Jose Cohen, Lester Van Ess, Irving N. Berman and Dennis Ormond, among others, and paid for said securities with funds provided by defendant JAMES E. CORR, III.

(p) As a result of the activities of the defendants JAMES E. CORR, III, R. BRUCE BUSCHBAUM, ROGER DRAYER, BARRY DRAYER, BARRY CHAJET, ALLAN KERN, WILLIAM MURPHY and RICHARD SOBEL the market price of Judo securities was artifically and fraudulently raised from approximately $3.00 per share to approximately $34.00 per share in the period from approximately February, 1972, through approximately October 20, 1972, when the market price fell by more than 50%.

(q) As a result of the activities of defendants JAMES E. CORR, III and BARRY DRAYER, the market price of Judo securities was articifially and fraudulently raised from approximately $4.00 per share to approximately $11.00 per share from approximately October, 1972, through approximately May, 1973.

(r) h. As a result of the activities of the defendants, JAMES E. CORR, III, R. BRUCE DUSCHBAUM, ROGER DRAYER, BARRY DRAYER, BARRY CHAJET, ALLAN KERN, WILLIAM MURPHY and RICHARD SOBEL the investing public and numerous brokerage firms sustained monetary losses of over one million dollars.

OVERT ACTS

5. In furtherance of the conspiracy and to effect the objects thereof the defendants committed the following overt acts, among others, in the Southern District of New York and elsewhere:

(a) On or about May 17, 1972, defendant JAMES E. CORR, III directed Harry Bradley and Edwin Hartzman to open accounts at Sterling, Grace & Co., Inc. and purchase Judo securities for the purpose of decreasing the long position in the trading account of Sterling, Grace & Co., Inc., which purpose was not disclosed to Harry Bradley and Edwin Hartzman.

(b) On or about May 17, 1972, at 400 East 56th Street, defendant JAMES E. CORR, III offered a payoff in the form of a stock option on Judo securities to defendant RICHARD SOBEL and co-conspirator Daniel Salant for the purpose of inducing defendant RICHARD SOBEL and co-conspirator Daniel Salant to solicit investors to purchase Judo securities.

(c) On or about May 17, 1972, defendant JAMES E. CORR, III purchased approximately 3000 shares of Judo through the brokerage firm of Fingerhut & Co., Inc., which shares were purchased at the direction of defendant JAMES E. CORR, III from Sterling, Grace & Co., Inc.

(d) On or about June 8, 1972, defendant JAMES E. CORR, III purchased approximately 1500 shares of Judo from Sterling, Grace & Co., Inc., for the purpose of decreasing the trading position of Sterling, Grace & Co. Inc.

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(e) On or about July 12, 1972, defendant JAMES E. CORR, III directed defendant R. BRUCE BUSCHBAUM to open an account at Sterling, Grace & Co., Inc. in the name of Raymond G. Corr.

(f) On or about August 4, 1972, defendant JAMES E. CORR, III directed defendant BARRY CHAJET to sell Judo securities to defendant WILLIAM MURPHY at the firm of Piper, Jaffray & Hopwood, Inc. for the purpose of having defendant BARRY CHAJET refrain from selling Judo securities into the market.

(g) On or about September 13, 1972, Stanley Silver purchased 5000 shares of Judo which shares were to be sold at a later date and the profits from which were to be divided among defendant JAMES E. CORR, III, Stanley Silver and co-conspirator Leroy Goldfarb.

(h) On or about September 18, 1972, defendant JAMES E. CORR, III caused the filing of a false loan application at the Underwriters Bank & Trust Co., 50 Broadway New York, New York, which loan was made in the name of Kathleen Keogh, the proceeds of which were used by defendant JAMES E. CORR, III to purchase Judo securities.

(i) On or about October 11, 1972, defendants JAMES E. CORR, III and ALLAN KERN sold and caused to be sold approximately 40,000 shares of Judo to customers of Morgan, Kennedy & Co., Inc. for the purpose of obtaining a greater number of Judo investors and allowing defendant JAMES E. CORR, III and persons whose accounts he controlled and directed to make a profit in Judo securities.

(j) On or about October 9, 1972, defendant R. BRUCE BUSCHBAUM "parked" approximately 6,000 shares of Judo with defendant WILLIAM MURPHY.

(k) On or about October 17, 1972, defendant WILLIAM MURPHY "parked" approximately 4,200 shares of Judo with defendant BARRY CHAJET.

(l) On or about October 19, 1972, defendant ROGER DRAYER placed a "wooden ticket" for 10,000 shares of Judo at approximately $15.00 per share at the brokerage firm of Dominick & Dominick, Inc. for the purpose of supporting the market price of Judo.

(m) On or about October 25, 1972, defendant ROGER DRAYER placed a "wooden ticket" for 2,000 shares of Judo at approximately $14-1/2 per share at the brokerage firm of Merrill, Lynch, Pierce, Fenner & Smith, Inc., for the purpose of supporting the market price of Judo.

(n) On or about October 30, 1972, defendant ROGER DRAYER placed a "wooden ticket" for 5000 shares of Judo at approximately $14-5/8 per share at the brokerage firm of H. Hentz & Co. Inc., for the purpose of supporting the market price of Judo.

(o) On or about October 25, 1972, defendant JAMES E. CORR, III placed a "wooden ticket" for 3,000 shares of Judo at approximately $14.00 per share at the brokerage firm of Margolis & Co., Inc. for the purpose of supporting the market price of Judo.

(p) On or about November 7, 1972, defendant JAMES E. CORR, III directed James Diamond to open an account at Raymond, James and Associates, Inc.

(q) On or about December 30, 1972, defendants JAMES E. CORR, III and BARRY DRAYER caused the opening of bank accounts at the First Commercial Bank of St. Petersburg, Florida, in the names of Jose Cohen, Raphael Ventura and Lester Van Ess.

(r) On or about December 30, 1972, defendants JAMES E. CORR, III and BARRY DRAYER opened brokerage accounts at Raymond James and Associates, Inc. in the names of Jose Cohen, Raphael Ventura and Lester Van Ess.

(s) On or about January 15, 1973, defendants JAMES E. CORR, III and BARRY DRAYER purchased securities of Judo in the name of Raphael Ventura at the brokerage firm of Raymond, James and Associates, Inc., which securities were delivered to the First Commercial Bank of St. Petersburg and paid for by defendant JAMES E. CORR, III.

(Title 18, United States Code, Section 371.)

COUNTS TWO THROUGH NINE

The Grand Jury further charges:

1. On or about the dates referred to in paragraph 3 hereinbelow, JAMES E. CORR, III the defendant, in the Southern District of New York and elsewhere, directly and indirectly, unlawfully, wilfully and knowingly, at a time when no registration statement as to the securities hereinafter referred to was in effect with the SEC, did make use of means and instruments of transportation and communication in interstate commerce including telephonic communication, and the mails to (1) sell securities of Judo through the use and medium of a prospectus and otherwise, and (2) carry and caused to be carried through the mails and in interstate commerce, by means and instruments of transportation, securities of Judo for the purpose of sale and delivery after sale.

2. On or about the periods set forth in paragraph 3 hereinbelow, JAMES E. CORR, III was an affiliate of Judo in that he directly and indirectly controlled, as the term is defined in Rule 405 promulgated under the Securities Act of 1933, the management and policies of Judo.

3. During the periods set forth below defendant JAMES E. CORR, III, while the owner of over 20% of the issued and outstanding securities of Judo and primarily in charge of mergers, acquisitions, franchising, financing and

public relations, among other things, of Judo, sold and caused to be sold shares of Judo, in his own name and in the names of others, in the approximate number of shares and dollar amounts set forth below, which shares represented more than 1% of the issued and outstanding shares of Judo:

COUNT	DATES	NO. OF SHARES	DOLLAR AMOUNTS
2	March 6, 1972 through March 8, 1972	7,300	$ 51,705.58
3	March 10, 1972 through May 11, 1972	9,100	62,979.81
4	May 12, 1972 through May 15, 1972	6,500	61,291.04
5	May 23, 1972 through August 3, 1972	7,300	73,226.30
6	August 7, 1972 through September 11, 1972	16,200	158,780.79
7	September 19, 1972 through October 4, 1972	16,500	224,294.19
8	October 10, 1972 through October 18, 1972	21,000	288,362.00
9	October 19, 1972 through November 2, 1972	16,500	212,207.87
		94,400	$1,132,847.58

4. The allegations contained in Count One of this Indictment are repeated and realleged as though fully set forth herein as constituting and describing some of the means by which the defendant JAMES E. CORR, III committed the offenses charged in paragraphs 1 and 2 hereinabove Counts Two through Nine.

(Title 15, United States Code, Sections 77(e) and 77x.)

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COUNT TEN

The Grand Jury further charges:

1. In or about October, 1972, ALLAN KERN, the defendant, in the Southern District of New York and elsewhere, directly and indirectly, unlawfully, wilfully and knowingly, at a time when no registration statement as to the securities hereinafter referred to was in effect with the SEC, did aid and abet the use of means and instruments of transportation and communication in interstate commerce including telephonic communication and the mails to (1) sell securities of Judo through the use and medium of a prospectus and otherwise, and (2) carry and caused to be carried through the mails and in interstate commerce, by means and instruments of transportation, securities of Judo for the purpose of sale and delivery after sale.

2. In or about October, 1972, defendant ALLAN KERN, while employed by the brokerage firm of Morgan, Kennedy & Co., Inc. did unlawfully, wilfully and knowingly aid and abet defendant JAMES E. CORR, III in the sale of approximately 18,500 shares of Judo through the brokerage firm of Morgan, Kennedy & Co., Inc., while defendant JAMES E. CORR, III owned approximately 20% of the issued and outstanding shares of Judo and was primarily in charge of mergers acquisitions, franchising, financing and public relations, among other things, of Judo.

3. The allegations contained in Count One of this Indictment are repeated and realleged as though fully set forth herein, as constituting and describing some of the means by which the defendant ALLAN KERN committed the offenses alleged in paragraphs 1 and 2 of this Count.

(Title 15, United States Code, Sections 77(e) and 77x and Title 18, United States Code, Section 2.)

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COUNT ELEVEN

The Grand Jury further charges:

1. From on or about June 1, 1971, up to and including the date of the filing of this Indictment, in the Southern District of New York and elsewhere, the defendants JAMES E. CORR, III and ALLAN KERN unlawfully, wilfully and knowingly, directly and indirectly, by use of means and instruments of transportation and communication in interstate commerce, including telephonic communication, and the mails, in the offer and sale of Judo securities did (a) employ devices, schemes and artifices to defraud; (b) obtain money and property by means of untrue statements of material facts and omit to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engage in transactions, practices, and courses of business which would and did operate as a fraud and deceit upon purchasers of Judo securities.

2. From on or about October 11 through November, 1972, the defendants JAMES E. CORR, III and ALLAN KERN sold and caused to be sold approximately 40,000 shares of Judo to customers of Morgan, Kennedy & Co., Inc. while making untrue statements of material facts and omitting to state material facts.

3. On or about the dates hereinafter set forth in the Southern District of New York and elsewhere, defendants JAMES E. CORR, III and ALLAN KERN unlawfully, wilfully and knowingly, directly and indirectly, did use and cause to be used means and instrumentalities of interstate commerce, including telephonic communication, and the mails, pursuant to and in furtherance of the offense alleged in paragraph 1 of this Count:

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DATE	ADDRESSEE	MATTER SENT THROUGH THE MAIL
(a) October 17, 1972	Paul Weissbluth 334 Felter Ave. Hewlett, N.Y.	Confirmation of purchase for 300 shares of Judo
(b) October 17, 1972	Mrs. Ira Lowin 127 W. 96th Street New York, N.Y.	Confirmation of purchase for 200 shares of Judo
(c) October 17, 1972	Joseph Noviello 243-17 72nd Ave. Douglaston, N.Y.	Confirmation of purchase for 250 shares of Judo
(d) October 17, 1972	Joseph Ennis 275 Caryl Ave. Lawrence, N.Y.	Confirmation of purchase for 200 shares of Judo
(e) October 17, 1972	Paul Malkin 210 Taaffe Place Brooklyn, N.Y.	Confirmation of purchase for 1300 shares of Judo

4. The allegations contained in Count One of this Indictment are repeated and realleged as though fully set forth herein, as constituting and describing some of the means by which the defendants committed the offenses charged in paragraphs 1 and 2 of this Count.

(Title 15, United States Code, Sections 77q(a) and 77x, and Title 18, United States Code, Section 2.)

COUNTS TWELVE THROUGH TWENTY-TWO

The Grand Jury further charges:

1. From on or about June 1, 1971 up to and including the date of the filing of this Indictment, in the Southern District of New York and elsewhere, the defendants JAMES E. CORR, III, R. BRUCE BUSCHBAUM, ROGER DRAYER, BARRY DRAYER, BARRY CHAJET, ALLAN KERN, WILLIAM MURPHY, and RICHARD SOBEL and others, unlawfully, wilfully, and knowingly, directly and indirectly, by use of means and instrumentalities of interstate commerce including telephonic communication, and the mails, in connection with the purchase and sale of Judo securities did (a) employ devices, schemes, and artifices to defraud; (b) make untrue statements of material facts and omit to state material facts necessary in order to make the statements made in the light of the circumstances

20	September 20, 1972	Robert Kollma[illegible] 2802 Costa M[illegible] Rd. Pontiac, Mich.	Confirmation of purchase for 100 shares of Judo
21	February 21, 1973	Sterling, Grace & Co. Inc. 39 Broadway New York, New York	Confirmation of purchase for 200 shares of Judo
22	March 12, 1973	Hill, Thompson, Magid & Co. Inc. 70 Wall Street New York, New York	Confirmation of purchase for 2000 shares of Judo

3. The allegations contained in Count One of this Indictment are repeated and realleged as though fully set forth herein, as constituting and describing some of the means by which the defendants committed the offenses charged in paragraphs 1 and 2 of these Counts.

(Title 15, United States Code, Sections 78j(b) and 78ff, Title 17 Code of Federal Regulations Section 240.10b-5, and Title 18, United States Code, Section 2.)

COUNTS TWENTY-THREE THROUGH THIRTY-THREE

The Grand Jury further charges:

1. From on or about June 1, 1971, up to and including the date of the filing of this Indictment, in the Southern District of New York, and elsewhere, the defendants, JAMES E. CORR, III, R. BRUCE BUSCHBAUM, ROGER DRAYER, BARRY DRAYER, BARRY CHAJET, ALLAN KERN, WILLIAM MURPHY and RICHARD SOBEL, and others, unlawfully, wilfully and knowingly did devise and intend to devise a scheme to defraud purchasers of the securities of Judo and to obtain money and property from said persons by means of false and fraudulent pretenses, representations and promises and for the purpose of executing said scheme and artifice to defraud and attempting so to do, did place and caused to be placed in post offices and authorized depositories for mail matter and did cause to be delivered by mail according to the directions thereon, certain matter to be sent and delivered by the Postal Service, as more particularly set forth below.

2. On or about the dates hereinafter set forth in Counts Twenty-Three through Thirty-Three, in the Southern

District of N York and elsewhere said de dants unlawfully, wilfully and knowingly did cause to be placed in post offices and authorized depositories for mail and did cause to be delivered by mail, by the Postal Service according to the direction thereon, to the pers hereinafter set forth, the matter hereinafter set forth.

COUNT	DATE	ADDRESSEE	MATTER SENT THROUGH THE MAIL
23	February 28, 1972	Dorsey Buttram 6421 Avondale Suite 204 Oklahoma City, Okla.	Confirmation of purchase for 2800 shares of Judo
24	June 21, 1972	Arnold Beau Baker 185 E. 85th St. New York, NY	Confirmation of purchase for 500 shares of Judo
25	September 18, 1972	Mrs. Isabelle Grossman 1319 41st Ave. St. Petersburg, Fla.	Confirmation of purchase for 50 shares of Judo
26	October 4, 1972	Sterling, Grace & Co., Inc. 39 Broadway New York, NY	Confirmation of purchase for 2000 shares of Judo
27	October 9, 1972	Piper, Jaffray & Hopwood, Inc. 115 South 7th St. Minnapolis, Minn.	Confirmation of purchase for 6000 shares of Judo
28	October 12, 1972	Richard Gerber % Castle Hill Knitwear Corp. 214 Taaffe Pl. Brooklyn, NY	Confirmation of purchase for 900 shares of Judo
29	October 13, 1972	Jenny Associates % Alan Dante 3523 98th St. Corona, Queens	Confirmation of purchase for 2000 shares of Judo
30	October 16, 1972	Jenny Associates % Alan Dante 3523 98th St. Corona, Queens	Confirmation of purchase for 3000 shares of Judo
31	October 17, 1972	James E. Corr, III 400 E. 56th St. New York, NY	Confirmation of purchase for 3000 shares of Judo
32	February 16, 1973	Hill, Thompson, Magid & Co. Inc. 70 Wall Street New York, New York	Confirmation of purchase for 2000 shares of Judo
33	March 9, 1973	Gilligan, Will & Co. 72 Thames Street New York, New York	Confirmation of purchase for 1300 shares of Judo

3. The legations contained in Cour One of this Indictment are repeated and realleged as though fully set forth herein, as constituting and describing some of the means by which the defendants committed the offenses charged in paragraphs 1 and 2 hereinabove.

COUNT THIRTY-FOUR

The Grand Jury further charges:

1. On or about September 15, 1972, JAMES E. CORR, III, the defendant, unlawfully, wilfully and knowingly made a false statement and report to the Underwriters Bank & Trust Co., a bank the deposits of which were insured at the time by the Federal Deposit Insurance Corporation, for the purpose of influencing said bank to extend a loan of $20,000.

2. On or about the above-mentioned date JAMES E. CORR, III, the defendant, caused a loan application to be filed with the Underwriters Bank & Trust Co. for a $20,000.00 loan to be extended to Kathleen Keogh, the proceeds of which were used by defendant JAMES E. CORR, III to purchase securities of Judo and not "to refurbish a home" as was stated on said application.

(Title 18, United States Code, Section 1014.)

COUNTS THIRTY-FIVE THROUGH THIRTY-SIX

The Grand Jury further charges:

1. On or about the 21st day of November, 1972, in the Southern District of New York, JAMES E. CORR, III, the defendant, having duly taken an oath as a witness that he would testify truly before the July Special Grand Jury of the United States of America, duly impaneled and sworn in the United States District Court for the Southern District

of New York, as inquiring for that Distric did unlawfully, wilfully and knowingly and contrary to said oath make false material declarations.

2. At the time and place aforesaid, the Grand Jurors, inquiring as aforesaid, were conducting an investigation pertaining to possible violations of United States laws prohibiting conspiracy (Title 18, United States Code, Section 371), securities fraud (Title 15, United States Code, Sections 77q and 78j(b)), and mail fraud (Title 18, United States Code, Section 1341), among other things.

3. It was material to said inquiry to ascertain whether JAMES E. CORR, III guaranteed purchasers of Judo securities against losses and the number of franchises sold by Judo, among other things.

4. At the time and place aforesaid, the defendant, JAMES E. CORR, III, appearing as a witness under oath before said Grand Jury, did testify falsely with respect to the aforesaid material matter as follows:

COUNT THIRTY-FIVE

Q. Now you mentioned earlier, in discussing the distribution, friends of the corporation and friends of Jerome Mackey.

A. Right.

Q. Who were you referring to?

A. Jerry's home state is Oklahoma and way, way back over the years Jerry was sent to Julliard Music School as a protege by one of the wealthiest families in Oklahoma, the Dorsey Buttram family.

And at the time the Buttrams and several other friends of Jerry's in Oklahoma were interested in buying the stock, but there was a provision in the Oklahoma State law that prohibited them from buying the stock.

We arranged with the state legislature there to get an exemption to sell stock to more than ten people in the State of Oklahoma and Dorsey Buttram and his family and

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another friend of Jerry's, by the name of James Diamond, purchased stock under that exemption.

Q. What did you do, if anything, to help Mr. Mackey sell to Dorsey Buttram?

A. Jerry asked me if I would fly out to Oklahoma City to meet his friends; that there had been a serious problem between Dorsey and Jim Diamond and the underwriter.

The underwriter had gotten their names from Jerry Mackey -- I am speaking specifically of Jerry Marshall in the underwriting office -- and he had put them in a stock they were involved in and they had lost a lot of money.

Jerry Marshall had brought Dorsey Buttram and Jim Diamond into a stock and they lost a lot of money and they were very aggravated. Someone had called up using Jerry's name and recommended the purchase of the stock and then they had all their money wiped up.

* * * * *

Q. Now, Mr. Corr, I believe I was asking you about these friends of Jerome Mackey in Oklahoma.

You mentioned two people, Dorsey Buttram and James Diamond. Have you ever heard of Bartesville (sic) Investment Corporation?

A. That is Mr. Diamond's firm.

Q. Now did you go out and speak with Mr. Diamond and Mr. Buttram?

A. Yes.

Q. And what was the nature of your conversation with them?

A. Number one, I assured them that the company was doing well and that Jerry was not really personally responsible for what had happened with Jerry Marshall in selling them another stock, he had nothing to do with it, and that I felt there was a bright future for the company because our progress in Florida was going well.

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The banks were working with us and I felt that the company was going to continue to do well and certainly would be better the next year than it had been the previous year.

Q. Were these friends of yours or of Mr. Mackey?

A. They were friends of Mr. Mackey's.

Q. Do you have [sic know] anyone in Oklahoma?

A. No; it was the first time I had been in Oklahoma City.

Q. Did you speak to anyone else, other than Mr. Buttram and Mr. Diamond?

A. Not at that time, no.

Q. How many times did you meet with them?

A. I think just the one time, this was prior to the underwriting.

Q. Did you ever own securities in a company called the Dusenberg Corporation or Company?

A. Yes.

Q. How did you acquire those securities?

A. It was a finder's fee and it was fee paid for services I rendered to the corporation.

Q. How much did you have?

A. 110,000 shares.

Q. Did you give any of that stock to either Mr. Buttram or Mr. Diamond?

A. Yes.

Q. How much did you give to them?

A. I gave between the two of them 50,000 shares. I didn't do it at the time, I gave it at a subsequent date.

Q. When did you give them the stock?

A. I mailed it to them at a subsequent date.

Q. What was the value of the stock at the time you gave it to them?

A. It was around two or three dollars a share.

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Q. And how subsequent was this delivery of the stock to them from the time you had this conversation with them?

A. Within -- probably done on the return trip. By the time I got back to Florida it was probably in the mail.

Q. Why did you give them the stock?

A. There was a tremendous amount of credibility lost, both personally and corporatewise, with friends because Jerry Marshall had lost a lot of money to them.

I said, "Look, I had nothing to do with what the underwriter had done to you. I can only tell you and assure you this isn't going to happen to you. I feel so strongly about this that I will show you my stock to show you my good faith, to reassure you that you won't lose your money."

Q. What was the sending of the stock to them for, what purpose?

A. I sent it out as a measure of good faith to show them I was putting up my personal assets to show them they weren't going to lose their money because the underwriter had subsequently lost their money in another deal.

* * * * *

Q. Your personal responsibility, your purpose in giving them Dusenberg stock was what?

A. A measure of good faith.

Q. What were they going to do with the Dusenberg stock?

A. I told them, "I am confident you are not going to be hurt in the stock; I will send you my personal stock to show how sure I am."

Q. And what if the stock went down?

A. I made no guarantee on that point.

Q. If they did lose money on Jerome Mackey did they have the right to recover?

A. No.

Q. Did they have the right to recover whatever they lost by selling the Dusenberg stock?

A. No.

Q. What was the purpose of giving Dusenberg stock as an assurance of not losing money?

A. It was as much for good faith as anything else. Generally, they wanted me to show them I was working solidly for the company.

Q. It didn't matter that you gave Dusenberg stock?

A. No, sir. I know the people involved would say the same thing. I left on a very good note. I said, "I don't care what happened in the past with Marshall and the underwriter; I didn't want him to have anything to do with them."

I said, "I want you to know I think the company is going to do well."

Q. What is the point in giving them Dusenberg stock if they still lose money on the Mackey stock? They couldn't recover the stock by selling Dusenberg, could they? It was useless, it wasn't their stock, was it?

A. I didn't give any guarantee they would or wouldn't I gave them a guarantee I was working solidly.

Q. If they lose money on the Mackey stock what is the point in giving Dusenberg stock if they couldn't use the Dusenberg stock to save their losses?

A. Really, as I have stated three times, it was a measure of good faith -- I told them I felt so strongly about it.

Q. But you wouldn't let them sell the stock, all you were giving them was paper, right?

A. At a later date subsequent to the fact they did put up their money. Had they lost their money we would have determined that; but at that point it wasn't a guarantee.

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Q. At the time you told them they wouldn't be able to sell or use it to collateralize loans with your Dusenberg stock is that correct?

A. I told them that, I know they understood that. The subject never came up again until your office met with the people.

Q. My question is, did you tell them that they could not use the Dusenberg stock in any way whatsoever even if they lost money on buying into the Mackey offering?

A. I never purposely said they couldn't use it for loans; the subject never came up. I don't know -- I have my stock back. I don't think it mattered. They are very wealthy people, I don't think they would have needed it for loans or to borrow on anyone's stock. They are multi-millionaires and I did it as a measure of good faith.

Q. I am not sure about your analogy. If I give you a new material to put on your coat and tell you to put it on and tell you your coat won't then burn up and then I give you my coat, I put it up as assurance if it does burn up -- but I tell you you can't use it even if yours burns up anyway, what is the measure of good faith by giving you the coat if I didn't make a point of telling you you could wear it?

A. Your point is well put. I know these people lost money as a result of an underwriting and I assure them it wasn't the same kind of deal, it wasn't a phony deal.

Q. Did you tell Mr Mackey they weren't permitted to recover their loss if they lost any money -- did you tell that to Mr. Mackey?

A. Did I tell, specifically?

Q. What I am suggesting -- I am not suggesting, I am asking you. It seems to me that there was a general understanding on the part of Mr. Buttram, Mr. Diamond and Mr. Mackey that Buttram and Diamond couldn't use this stock even if they suffered losses with the Mackey investment, is that correct?

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A. That they could not use it?

Q. Yes.

A. That's correct.

Q. I am trying to understand how they came to this understanding. Did you tell them they couldn't use the Dusenberg stock or did you write them a letter to that effect, or did you just go back home and deliver the Dusenberg stock without a letter?

A. I told them that I personally was signing on a 60,000 dollar loan, personally, to buy stock in the company and that the company owed me a lot of money and the company was doing extremely well.

Q. Did you tell them, Mr. Corr, that they couldn't use the Dusenberg stock in any way whatsoever if they suffered losses on Mackey?

A. Yes, I told them as a measure of good faith I had sent the stock; it wasn't a guarantee against loss.

Q. Did you tell them that they couldn't use the Dusenberg stock even if they suffered losses?

A. Well, I don't understand: use it in which way?

Q. What good is your Dusenberg stock if they can't recover the losses should they suffer losses?

A. It was my stock, in my name. What could they do with it?

Q. You are telling me that if they lost on the Mackey stock, that that is their loss?

A. That's right.

Q. What is the purpose of the good faith gesture on your part?

A. I sent the stock; I told them I have a lot of money involved in the company; I am heavily involved. I said, "I will show you my good faith." I said, "I will put up security to show you my good faith that we are both working for the one

company. We a: not desperate, we are not ying to take your money like in the underwriting, we have our own money."

We were trying to do a legitimate deal with friends. These people had been hurt, it was the first time I met them. Jerry went out in the eleventh hour, he needed money to buy some stock.

* * * * *

COUNT THIRTY-SIX

Q. Let me stop you in January '72. You say you sold franchises in December '71?

A. Right.

Q. To whom?

A. A friend of mine by the name of Charles Phillips.

Q. Where was this?

A. In Florida.

Q. How many franchises did you sell to him?

A. We sold him four.

Q. At what price?

A. I believe it was a net of 140,000 dollars.

Q. Have you ever heard of a company called Self-Defense Industries?

A. Yes.

Q. Was that the company Mr. Phillips was affiliated with?

A. No.

Q. When did that company come into existence and take off, when was it organized?

A. There are two Self-Defense Companies: in New York and Florida.

Q. Let's take Florida.

A. It comes in probably in January or February; the company was formed by me to acquire company franchises.

Q. What about New York?

A. Formed in June to acquire franchises.

Q. June '72?

A. Yes.

Q. How did Mr. Phillips pay you 45,000 dollars?

A. He borrowed the money from the Northside Bank of Tampa.

Q. What did he use as collateral: was it a straight loan?

A. He used accounts receivable of the school and furniture and fixtures.

Q. Of the four franchises?

A. Yes, they have receivables of about a quarter of a million dollars.

5. The aforesaid testimony of JAMES E. CORR, III in Counts Thirty-Five and Thirty-Six as he then and there well knew, was untrue.

* * * * *

(Title 18, United States Code, Section 1623).

COUNTS THIRTY-SEVEN THROUGH FORTY-TWO

The Grand Jury further charges:

1. On or about the dates hereinafter set forth, in the Southern District of New York, JAMES E. CORR, III, the defendant, having duly taken an oath that he would testify truly before a competent tribunal and officer in a case in which a law of the United States authorized an oath to be administered, to wit, an officer of the United States Securities and Exchange Commission, did unlawfully, wilfully and knowingly and contrary to said oath, state material matters which he did not believe to be true.

2. At the time and place aforesaid, the United States Securities and Exchange Commission was conducting an

investigation concerning possible violations of the laws of the United States prohibiting, among other things, manipulation of securities, fraud in connection with the offer, purchase and sale of securities and the sale of unregistered securities in connection with transactions in the securities of Judo.

3. It was material to said inquiry to ascertain the participation of the defendant, JAMES E. CORR, III, and others in the underwriting and trading in the after market of the securities of Judo.

4. At the time and place aforesaid JAMES E. CORR, III, the defendant, appearing as a witness under oath before said officers of the United States Securities and Exchange Commission, did unlawfully, wilfully and knowingly falsify, conceal, and cover up by trick, scheme and device material facts and did make false, fictitious and fraudulent statements and representations, as follows.

COUNT THIRTY-SEVEN

June 26, 1973

Q. Sir, did you ever personally guarantee Mr. Diamond against losses in the stock of Jerome Mackey?

A. No, and that is a very tough question, and a lot of people have spent a lot of time on it, and I personally know what Mr. Diamond's and Mr. Buttram's answers and testimony are.

It was, again -- again, it was a matter of credibility. I was brought in to assure them that something was happening with the company and I never guaranteed them a profit in the stock.

Q. Sir, did you ever give Mr. Diamond 30,000 shares of stock called Dusenberg?

A. Yes, I did.

Q. Would you please tell us the reason for that?

A. At the time it was a matter of good faith. Everything

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that Jerry had previously taken to Mr. Diamond, they had lost their money. I wanted to assure Mr. Diamond that this was not something that I felt was flimsy or in any way would fall out of bed. I felt the investment would be worthwhile.

And the case in point came up concerning the stock.

His comments were, "Well, you know, you fellows are coming out here asking me to put up my money, and why don't you buy the stock," and this and that. And my comments were that Mackey was not permitted to buy it and at the time I was in effect buying a substantial amount of stock myself personally.

I had indicated that I would personally buy about 15,000 shares, and this more or less reassured him.

* * * * *

BY MR. TUCKER:

Q. Sir, you state you gave Mr. Diamond 30,000 shares of Dusenberg. Is that correct?

A. Yes.

Q. Whose 30,000 shares did that belong to?

A. Me, personally.

Q. Could you again tell us why you gave him the 30,000 shares?

A. Well, I wanted to show him -- and it is all a matter of other testimony now. I wanted to show him that we weren't just trying to take his $15,000. We did have our own assets.

I did have other assets. We did raise a lot of money and we did need him at this time as an investor. We needed stockholders and I said, "Jim, I am buying 15,000 shares myself and I would buy more, but we don't want to wind up owning all of the stock that we are selling."

And I said, "You can see that here is something that is tangible." And it was worth a lot of money at the time and I said I have the money and assets and I would buy more stock, and it was left at that, and I don't think there was anything more that was -- and from the day they bought the stock, they actually had a loss for a long time, a paper loss, and there was never any guarantee, and never a point other than six or eight months down the road where they were even interested in buying or selling, and to this day Mr. Diamond still owns more stock than he ever originally purchased.

Q. Did you and Mr. Diamond have any understanding as to what could be done with the 30,000 shares of Dusenberg?

A. No. There was no specific understanding. It was something that was done among friends. I told him specifically I did not think we would lose any money in Mackey. I said if we were given the money from the public underwriting, if we were let to continue doing what we are doing, I think the company is going to become very profitable and will be very worthwhile, and we will need a couple of years to do this.

I told him I felt we could do certain acquisitions that I had done in the past and we could make a very, very successful company out of it.

Q You gave Mr. Diamond 30,000 shares of Dusenberg. Could he make any use of those shares?

A. At that time, no. It was in my name and it was just -- you see, Jerry Mackey had always gone out there empty-handed. He never had anything. He would go out there and get money from these people and they had always lost their money.

I wasn't going out empty-handed. I had raised a lot of money for the company from other people. That particular week I probably, with my friends, sold 25 percent of

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the underwriting myself to a very small amount of people that had faith in me, like Ed Hartzman.

I mean, on my recommendation over the telephone he purchased 5,000 shares just on my recommendation. I told him I was involved and he purchased the stock on his own cognizance and he still today owns more stock than he originally purchased.

Q. Well, if Mr. Diamond could make no use of the Dusenberg stock, I don't quite understand why you would give it to him.

A. We were just trying to show that we had substance. Mackey had nothing. He didn't have $500.

* * * * *

COUNT THIRTY-EIGHT

June 26, 1973

Q. Do you maintain any brokerage accounts?

A. Yes.

Q. Tell us where.

A. I have about 50. Do you want all of them or would you like a list?

Q. Well, why don't you give us the ones that come to mind.

A. My most active account is at Raymond James & Company [sic Associates] in St. Petersburg, Florida, the main office. I have accounts at Merrill Lynch, Walston, Hayden Stone, Dominick & Dominick, Cowen & Company, Hartzmark & Company, Edwards & Hanley, Ferkauf Roggen, F.I. DuPont, Glore Forgan, (sic) Loeb Rhoades, L.M. Rosenthal, J.D. Winer.

I probably have a lot more.

MR. FILMORE: Mr. Corr, are these accounts in the name of James Corr or some other name?

THE WITNESS: Only my name.

* * * * *

COUNT THIRTY-NINE

June 26 1973

BY MR. TUCKER:

Q. Mr. Corr, at this time I would like to ask you whether you maintain control over any brokerage accounts that are not in your name?

A. I would say all the majority stockholders, and I could name them with their approximate position, while they have been involved with me for a long time. I exercise control not so much over the account as I do the individual as to whether they would buy or hold. As was the case, when a stock was $3 or $4 a share, I advised these people that I thought they should double up on their position because in most cases we had substantial losses. Most bought stock around 10 or 11 dollars.

Do you want me to elaborate on that?

A. I would appreciate if you could just give us some of the names of the people you advised.

A. Somebody like Harry Bradley. Bradley's company was to be acquired by Jerome Mackey. He has been a personal friend of mine about 20 or 30 years. We have been competitors in the business. I advised Harry to buy the stock around 10 or 11 dollars a share.

I don't exercise any control over any of his accounts, but Harry called me once a week to ask me what was going on. He has a substantial loss in the stock. When it was 3 or 4 dollars a share, I said, "Harry, the company is doing great. My franchise is doing great. I would suggest you average out your position. At some point maybe we will make Mackey an offer to get out of there and I will get in and try to rebuild the company."

And he did average his position. The same with James Diamond and Irv Berman. The same with my brother-in-

36 law, Dennis Ormond. He averaged his position. In this case, he has an account at my brother's firm, but he has only bought. He has been a net buyer. Same with Diamond and Berman. They have been a net buyer. Since the stock fell out of bed, they bought 12,000 shares in the open market. Bradley, about 5,000.

Q. Has Bradley sold any?

A. He sold some stock which I didn't even know about until afterwards about a week or 10 days before the suspension and he needed money and had had a big loss in another Morgan Kennedy stock.

I think he sold 2,000 shares. Around $12 a share.

Q. You made no other sales for Mr. Bradley of the stock?

A. No. This is like a week or 10 days before the suspension.

I have an interest with a South American group of very substantial and wealthy people, the Venturo (sic) family. They are clients of Barry Drayer and originally from Chile.

They wanted very much to participate in getting control of the corporation. They had a sizeable position, and prior to the suspension I met with Mr. Kramer and I explained to him the situation. And we did want to in effect buy control, and we were in the process of buying stock on the open market.

With the stock on the open market and my 205,000 [sic should read 250,000] shares, we would control about 47 percent of the company.

And other insiders expressed an interest, and we have been basically going to make Mr. Mackey an offer, and we are in negotiation to make an offer, and he gave a price of what he wanted to sole (sic, sell) control and we were in the process of making that decision.

So I exercised a lot of control over the Venturos (sic)

I don't exercise control over the majority of their brokerage accounts. They have then all over the country and world, and they do most of it through Bank America. I have no control over that.

Probably most control again would be through Barry Drayer, power of attorney which they gave him. And when we were acquiring stock, in fact, we were giving dollar figures as to what we could acquire, how many shares and how many dollars involved.

So you might say complete control as to dollar amount and specifically to buy Mackey stock.

That family includes Rafael Venturo (sic) his company doctor, Isaac Cohen, I think his brother, Jose Cohen, and Heime Venturo (sic). That would be almost complete control of one set of circumstances, not the entire brokerage business.

* * * * *

COUNT FORTY

June 26, 1973

Q. Could you tell us what bank loans you made in the last 18 months in excess of $20,000 and used Mackey stock as collateral?

A. None. I have used Mackey as additional collateral but on the majority of my collateral, most banks never want the stock.

For example, since the suspension, everybody has given me back the stock and I have put up other collateral.

* * * * *

Q. Confining ourselves to 1972, did you put up Mackey stock as collateral for any of your loans?

A. Strictly --

Q. Not strictly. It wou d be Mackey in addition to

other collateral. Was Mackey used as collateral in connection with any other loans in '72?

A. I don't know whether you recognize I put up my financial statement. I have a lot of unsecured loans that go with my total position.

Whatever I have owned --

Q. You are not answering the question. The question is in connection with any loan that was made in the year 1972 did you put up Mackey stock as collateral?

A. Yes, but not specifically Mackey stock because the banks really don't want an account of stocks.

Q. In addition to whatever else you put up --

A. In addition to my other collateral, each bank has had my personal statement.

Q. But Mackey, in addition with the other collateral, was put up in the year of 1972 for a loan?

A. Right.

* * * * *

COUNT FORTY-ONE

July 9, 1973

Q. Okay.

Mr. Corr, I don't want to leave the area of the meetings early in 1972, but I would just like to go a bit further in this respect.

The need for you to find individual shareholders, as you have indicated to the staff, in order to satisfy the NASDAQ requirements for number of shareholders, necessitated that Mackey stock be sold to individuals, and that you had some control over these shares, and for one, Mr. Bradley, you told him he could sell the shares. You told him why he could sell the shares, and you also told him that in order to get those sold, some Health Delivery Systems would have to be purchased?

A. Right.

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Q. Mr. Co[illegible], who else, to your knowle_e, went through a similar set of transactions?

A. Okay. I did, myself. Joseph L. Somberg, (sic) Dan Keough (sic). Irving Berman, Bartlesville Investment Corporation. Dr. Ormond, Mrs. Ormond, and I think that is it. Yes.

* * * * *

COUNT FORTY-TWO

July 9, 1973

Q. Sir, do you know an individual by the name of Robert Drucker?

A. I only met him one time.

Q. Do you know who he is?

A. Yes.

Q. Who is he?

A. He's a principal at Commonwealth Chemical, a stock brokerage, NASD member firm.

Q. When you say you met him once, face-to-face?

A. Right.

Q. Did you ever have any telephone conversations with him?

A. Several.

Q. Do you recall the time period in which you had the conversations with him?

A. It was in the period from the time that the rumors started spreading around about Mackey.

I called up Mr. Drucker, and I told him that, if I could prove tha he was spreading an untrue rumor, I was going to take him to the NASD.

And he --

Q. When was this conversation, sir?

A. Back in July of 1972 was the first time I ever spoke to him.

Q. And subsequent conversations, do you recall when --

A. I called him several different times. I wanted to get him off the machine on the stock.

He was spreading rumors. I have at least --what I believe some other people will testify to as to the rumors he was spreading that were indirect violations of the NASD rules.

Q. When you say you wanted to get him off the machine on the stock, do you recall what was said in connection with that?

A. He said I'm making a ton of money in the stock. He said I've got a lot of inside information. He said you guys are all going to jail, you're in a lot of trouble.

He said I'm not dropping off the machine.

Q. When was this, sir?

A. In July.

Q. Sir, do you recall any conversation with Mr. Drucker concerning a stock called Unimet?

A. Right.

Q. Do you recall when you had that conversation?

A. Right. He was -- I had a big position in Unimet. He was short the stock. He was looking for stock.

He came in to -- I forget whether it was Raymond James or Morgan, Kennedy -- and he was looking for 5,000 shares of stock.

I called him up directly and said, "What do you want to pay for the stock?"

I think he said about $8 a share.

I said, "All right," I said, "I'll tell you what," I said, "I'll swap you Unimet for an equal amount of Mackey."

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He sa, ., "What, are you crazy?" h_ says, "That's a lot of stock."

I said, "I understand you're a big player," I said, "You are short the stock," I said, "Here's a chance, if you think the stock is collapsing, here's a chance to short another $70-, $80,000 worth of stock.

"I will give you 10,000 Unimet at 8," I said, "And you sell me $80,000 worth of Mackey." I said --

Q. How many shares?

A. At the time that would have been about 10 000.

Would have been an equal swap. Mackey was about 7-1/2, 8 dollars.

So, he said, "Well, I'm telling you the stock is going to zero because Morgan, Kennedy is going out of business."

"How the hell do you know that?"

He says, "I know everything," he says, "I have got friends at the NASD. I've got friends at the SEC. I have friends at the U.S. Attorney's office.

"Every stock I short, you get on the machine and watch."

He watched the Unimet. It's down from 12. It's going to 2. It turned out he was right. The stock went to ?

Q. Sir, do you recall when you had this conversation?

A. I'd say it was about November of '72, maybe late November.

Yes, it was late November. It was prior to my first going down to the grand jury.

Q. Why was it, sir, that you wanted to swap the Unimet for Mackey?

A. It was like a poofkie. He knew that I had $80,000 worth of Mackey -- of Unimet. You know, he knew that I had a lot of money and I had a lot of friends.

So I just wanted to show him that I would be willing to buy 10,000 Mackey at 7-1/2, and he didn't do it, so --

Q. Wasn't it, sir -- you say you wanted to buy 10,000 shares at 7-1/2?

A. I didn't want to buy it. I said that I would, you know.

Q. Did you offer to buy 10,000 shares of Mackey at $9 a share from him rather than 7-1/2?

A. I think the stock was 7-1/2, 8.

Q. Right. That's what the stock may have been.

But do you recall what you offered to pay him?

A. I said I would swap him.

I said whatever dollars I get from Unimet -- I owned 12,000 shares of Unimet, he needed the stock.

The stock was down from 14, 7-1/2, 8. He wanted to cover his short.

He said, "I'll give you," I think, "$7 for the whole piece," which would have been what? $70 -- $84,000.

And I said whatever I get, put it into Mackey. And that was the swap. It was that simple. I wasn't ever interested in what the price was. I said I would swap dollar for dollar.

I have witnesses to that phone call. That's exactly what I said, because everybody thought he was such a big shooter and he wouldn't short the stock.

Q. Are you saying, sir, that you did not offer to buy 10,000 shares at $9 a share?

A. The stock wasn't 9. It was 7-1/2, 8.

Q. That's not the question.

The question is what you offered to pay him for the stock.

A. I ha no recollection of that. told him I would swap whatever the dollars were. Whatever I got from the sale of the Unimet he could give me Mackey.

Q. Sir, do you recall if Mr. Drucker told you to send in a broker to bid 10,000 shares at $9?

A. Yes.

And I believe -- it wasn't $9. We sent in -- I don't know -- I can't remember whether it was Sterling, Grace or Raymond James, but I sent someone in with a bid, and he refused it.

Q. You don't recall who?

A. It was either Sterling, Grace or Raymond James.

Q. How many shares did you send in?

A. I think I bid him for about 10,000 shares.

But I'm sure it wasn't $9. Positive it was 8, because the Unimet was 7, and I think Mackey was 7-1/2.

Q. Do you recall what price Unimet was in the market at the time?

A. It was 7 bid, offered at a half.

Q. Would it refresh your memory if I told you it was 8, 8-1/2?

A. It's possible. I really don't remember.

I think he only bid me 7, though, you know.

I don't know what point you are trying to make, but, if it was, it was.

Q. To the best of your recollection, what was said at that conversation?

A. I said I would swap him. I -- I think it's the first time I ever spoke to him -- I said, "Drucker everybody tells me" --

Q. This was not the first time you spoke to him.

A. About making a trade.

I said, "You're supposed to be a big hitter. You're telling everybody you're busting Mackey, you're killing everybody's stock.

"Here's a chance, if you really want to gamble, I'll sell you 10,000 Unimet; you'll sell me an equivalent amount of Mackey, dollar for dollar."

Q. On your sale of the 10,000 shares of Unimet, is that --

A. I had 10- or 12,000.

Q. Okay.

A. I think twelve.

Q. What did you offer? Did you offer him --

A. He said he would buy ten, and I think I said I have twelve. It was all bullshit.

Q. Well, I'm trying to -- as to what was said at that conversation, did you -- when you wanted to sell 10,000 shares of Unimet, did you --

A. I didn't want to sell it. He originally called and made me a bid for it. He didn't know whose stock it was.

Q. I thought you testified you called him?

A. He called, I testified, if you want to read it back, he called Raymond James and said, "I understand you have a seller down there in Unimet."

He said, "I am a buyer at $7 a share in size." They called me and said, "You know, Drucker's around, he wants to buy Unimet. He is short the stock and he needs it."

That is what I have testified to today."

I called him up and I said, "Bobby." I said, "You know, if you want to buy the Unimet, I got 12,000 shares."

He said to me, "I'm positive I can use 10,000 at 7."

I said, "I've got 12." We never elaborated on that.

Q. Did you offer to sell him the 10,000 shares on his offer? Not on his bid?

A. No. He already had the bid, 7. I am positive it was $7, because it was half of what I paid for the stock. I paid 14. So I was going to lose 70 or 80 thousand dollars on the transaction.

Q. Why did you want to engage in a transaction where you would lose seventy, eighty thousand dollars?

A. In reality, I wound up selling the stock months later at 4. I didn't want to sell it. I called him back. He called Raymond James, looking for the stock. They called me. I was at Morgan, Kennedy. I called him to let him know it was my stock, and to pump him up a little bit.

I said, "You are a big shooter, your wife has a big hedge fund, I will swap you the Unimet, you short me or sell me and -- an equivalent amount of Mackey." That is exactly what I said to him. Don't think price ever came up, because I said I would swap him an equivalent amount of dollars.

He called back and said, "Have a broker come in and make me a bid."

I had Sterling or Raymond James come in, one or the other. It was a very spontaneous pressure type of thing.

That's all it was.

Q. Did you state to Mr. Drucker as to how many shares you were willing to buy of Mackey?

A. I think I told him, before you are going to make the company worn, I will buy the whole company and make it a dollar.

He told me he was going to make the stock a dollar. He said he was going to bust it, just like he busted all the other stocks up there.

Q. Do you recall telling Mr. Drucker you were willing to buy up to 40,000 shares of Mackey?

A. I think I told him I would buy the whole company. He said he was going to make it a dollar. I said, "If you do make it a dollar, I will buy the whole company." I am -- I don't think I said $40,000.

* * * * *

5. The testimony of the defendant, JAMES E. CORR, III enumerated hereinabove in Counts Thirty-Seven through Forty-Two, as he then and there well knew, was untrue.

(Title 18, United States Code, Section 1001)

Joseph McMorrow Paul J. Curran

Foreman

PAUL J. CURRAN
United States Attorney

75 CRIM 803

United States District Court

SOUTHERN DISTRICT OF NEW YORK

THE UNITED STATES OF AMERICA

vs.

JAMES E. CORR, III, et al.,

Defendants.

INDICTMENT

75 Cr.

(15 USC §§ 77q(a), 78j(b);
18 USC §§ 371, 1001, 1014, 1341
and 1623)

PAUL J. CURRAN

United States Attorney.

A TRUE BILL

Joseph Lichtenstein

Foreman.

U.S. DISTRICT COURT
FILED
AUG 13 1975
S. D. OF N. Y.

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File
C Ryan

ILS:lq
M-981

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

75 CRIM. 1059

UNITED STATES OF AMERICA :

- v - : INDICTMENT

JAMES E. CORR, III, : S 75 Cr.
(EW)

Defendant. :

U.S. DISTRICT COURT
FILED
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S. D. OF N. Y.

COUNT ONE

The Grand Jury charges:

1. On or about the 21st day of November, 1972, in the Southern District of New York, JAMES E. CORR, III, the defendant, having duly taken an oath as a witness that he would testify truly before the July Special Grand Jury of the United States of America, duly impaneled and sworn in the United States Court for the Southern District of New York and inquiring for that District did unlawfully, wilfully and knowingly and contrary to said oath make false material declarations.

2. At the time and place aforesaid, the Grand Jurors, inquiring as aforesaid, were conducting an investigation pertaining to possible violations of the United States laws prohibiting conspiracy (Title 18, United States Code, Section 371), securities fraud (Title 15, United States Code, Sections 77q and 78j(b)), and mail fraud (Title 18, United States Code, Section 1341), among other things.

3. It was material to said inquiry to ascertain whether the defendant JAMES E. CORR, III guaranteed purchasers of Jerome Mackey Judo, Inc. ("Judo") securities against losses, among other things.

4. At the time and place aforesaid, the defendant, JAMES E. CORR, III, did testify falsely as hereinafter underlined with respect to the aforesaid material matter as follows:

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COUNT ONE

1. Q. Now, Mr. Corr, I believe I was asking you about these friends of Jerome Mackey in Oklahoma.

You mentioned two people, Dorsey Buttram and James Diamond. Have you ever heard of Bartesville (sic) Investment Corporation?

A. That is Mr. Diamond's firm.

Q. Now did you go out and speak with Mr. Diamond and Mr. Buttram?

A. Yes.

Q. And what was the nature of your conversation with them?

A. Number one, I assured them that the company was doing well and that Jerry was not really personally responsible for what had happened with Jerry Marshall in selling them another stock, he had nothing to do with it, and that I felt there was a bright future for the company because our progress in Florida was going well.

The banks were working with us and I felt that the company was going to continue to do well and certainly would be better the next year than it had been the previous year.

Q. Were these friends of yours or of Mr. Mackey?

A. They were friends of Mr. Mackey's.

* * * *

Q. Did you ever own securities in a company called the Dusenberg Corporation or Company?

A. Yes.

Q. How did you acquire those securities?

A. It was a finder's fee and it was fee paid for services I rendered to the corporation.

Q. How much did you have?

A. 110,000 shares.

Q. Did you give any of that stock to either Mr. Buttram or Mr. Diamond?

ILS:lq
M-981

A. Yes.

Q. How much did you give them?

A. I gave between the two of them 50,000 shares. I didn't do it at the time, I gave it at a subsequent date.

Q. When did you give them the stock?

A. I mailed it to them at a subsequent date.

Q. What was the value of the stock at the time you gave it to them?

A. It was around two or three dollars a share.

Q. What was the sending of the stock to them for, what purpose?

A. I sent it out as a measure of good faith to show them I was putting up my personal assets to show them they weren't going to lose their money because the underwriter had subsequently lost their money in another deal.

* * * * *

Q. Your personal responsibility, your purpose in giving them Dusenberg stock was what?

A. A measure of good faith.

Q. What were they going to do with the Dusenberg stock?

A. I told them, "I am confident you are not going to be hurt in the stock; I will send you my personal stock to show how sure I am."

Q. And what if the stock went down?

A. I made no guarantee on that point.

Q. If they did lose money on Jerome Mackey did they have the right to recover?

A. No.

Q. Did they have the right to recover whatever they lost by selling the Dusenberg stock?

A. No.

Q. What was the purpose of giving Dusenberg stock as an assurance of not losing money?

ILS:lq
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A. It was as much for good faith as anything else. Generally, they wanted me to show them I was working solidly for the company.

Q. It didn't matter that you gave Dusenberg stock?

A. No, sir. I know the people involved would say the same thing. I left on a very good note. I said, "I don't care what happened in the past with Marshall and the underwriter; I didn't want him to have anything to do with them."

I said, "I want you to know I think the company is going to do well."

Q. What is the point in giving them Dusenberg stock if they still lose money on the Mackey stock? They couldn't recover the stock by selling Dusenberg, could they? It was useless, it wasn't their stock, was it?

A. I didn't give any guarantee they would or wouldn't I gave them a guarantee I was working solidly.

Q. If they lose money on the Mackey stock what is the point in giving Dusenberg stock if they couldn't use the Dusenberg stock to save their losses?

A. Really, as I have stated three times, it was a measure of good faith -- I told them I felt so strongly about it.

Q. But you wouldn't let them sell the stock, all you were giving them was paper, right?

A. At a later date subsequent to the fact they did put up their money. Had they lost their money we would have determined that, but at that point it wasn't a guarantee.

Q. At the time you told them they wouldn't be able to sell or use it to collateralize loans with your Dusenberg stock, is that correct?

A. I told them that, I know they understood that. The subject never came up again until your office met with the people.

Q. My question is, did you tell them that they could not use the Dusenberg stock in any way whatsoever even if they lost money on buying into the Mackey offering?

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A. I never purposely said they couldn't use it for loans; the subject never came up. I don't know -- I have my stock back. I don't think it mattered. They are very wealthy people, I don't think they would have needed it for loans or to borrow on anyone's stock. They are multi-millionaires and I did it as a measure of good faith.

* * * *

Q. What I am suggesting -- I am not suggesting, I am asking you. It seems to me that there was a general understanding on the part of Mr. Buttram, Mr. Diamond and Mr. Mackey that Buttram and Diamond couldn't use this stock even [illegible]y suffered losses with the Mackey investment, is that correct?

A. That they could not use it?

Q. Yes.

A. That's correct.

Q. I am trying to understand how they came to this understanding. Did you tell them they couldn't use the Dusenberg stock or did you write them a letter to that effect, or did you just go back home and deliver the Dusenberg stock without a letter?

A. I told them that I personally was signing on a 60,000 dollar loan, personally, to buy stock in the company and that the company owed me a lot of money and the company was doing extremely well.

Q. Did you tell them, Mr. Corr, that they couldn't use the Dusenberg stock in any way whatsoever if they suffered losses on Mackey?

A. Yes, I told them as a measure of good faith I had sent the stock; it wasn't a guarantee against loss.

Q. Did you tell them that they couldn't use the Dusenberg stock even if they suffered losses?

A. Well, I don't understand: use it in which way?

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Q. What good is your Dusenberg stock if they can't recover the losses should they suffer losses?

A. It was my stock, in my name. What could they do with it?

Q. You are telling me that if they lost on the Mackey stock, that that is their loss?

A. That's right.

* * * * *

4. The aforesaid underlined testimony of JAMES E. CORR, III in paragraph 3 of Count One, as he then and there well knew, was untrue because in truth and in fact (a) the Dusenberg securities given to James Diamond and Dorsey Buttram by the defendant JAMES E. CORR, III were intended to be used by Diamond and Buttram as a guarantee against loss in Judo securities; (b) Diamond and Buttram could sell the Dusenberg securities to recover any losses sustained by Diamond and Buttram in Judo securities; and (c) the defendant JAMES E. CORR, III did not receive back his Dusenberg securities from Diamond.

(Title 18, United States Code, Section 1623)

COUNTS TWO THROUGH TWELVE

The Grand Jury further charges:

1. On or about the dates hereinafter set forth, in the Southern District of New York, JAMES E. CORR, III, the defendant, unlawfully, wilfully and knowingly in a matter under investigation and within the jurisdiction of the United States Securities and Exchange Commission, an agency of the United States, did falsify, conceal, and cover up by trick, scheme and device material facts and did make false, fictitious and fraudulent statements and representations as hereinafter underlined.

2. It was material to said investigation to ascertain the participation of the defendant JAMES E. CORR, III and others in the underwriting and aftermarket of the securities of

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Judo, and specifically to ascertain the following: (1) whether the defendant JAMES E. CORR, III guaranteed against loss; (2) whether the defendant JAMES E. CORR, III had brokerage accounts in the names of others; (3) whether the defendant JAMES E. CORR, III controlled accounts of others and sought with others to acquire control of Judo; (4) whether the defendant JAMES E. CORR, III used Judo securities only for loans in 1972 and 1973; (5) where Joseph Sonberg and Kathleen Keogh had brokerage accounts; (6) whether Joseph Sonberg and Kathleen Keogh exchanged Judo securities for Health Delivery Systems, Inc. securities; (7) the substance of a conversation between Robert Drucker and the defendant JAMES E. CORR, III; (8) whether the defendant JAMES E. CORR, III made price projections to brokers and traders; (9) whether the defendant JAMES E. CORR III instructed R. Bruce Buschbaum to be high bid in Judo securities; and (10) whether the defendant JAMES E. CORR, III told Russell Wayne of the inaccuracy in the Value Line article.

COUNT TWO

June 26, 1973

1. Q. Sir, did you ever personally guarantee Mr. Diamond against losses in the stock of Jerome Mackey?

A. No, and that is a very tough question, and a lot of people have spent a lot of time on it, and I personally know what Mr. Diamond's and Mr. Buttram's answers and testimony are.

It was, again -- again, it was a matter of credibility. I was brought in to assure them that something was happening with the company and I never guaranteed them a profit in the stock.

Q. Sir, did you ever give Mr. Diamond 30,000 shares of stock called Dusenberg?

A. Yes, I did.

Q. Would you please tell us the reason for that?

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A. ... the time it was a matter of good faith. Everything that J ry had previously taken to Mr. Diamond, they had lost their money. I wanted to assure Mr. Diamond that this was not something that I felt was flimsy or any way would fall out of bed. I felt the investment would be worthwhile.

And the case in point came up concerning the stock.

His comments were, "Well, you know, you fellows are coming out here asking me to put up my money, and why don't you buy the stock," and this and that... And my comments were that Mackey was not permitted to buy it and at the time I was in effect buying a substantial amount of stock myself personally.

... whether the ...

I had indicated that I would personally buy about 15,000 shares, and this more or less reassured him. ...

... * * * * * ... to be high bid in ...

BY MR. TUCKER: ... that the defendant JAMES E. CORR ...

Q. Sir, you state you gave Mr. Diamond 30,000 shares of Dusenberg. Is that correct?

A. Yes.

... Q. Whose 30,000 shares did that belong to?

A. Me, personally. ... personally guarantee Mr. ...

Q. Could you again tell us why you gave him the 30,000 shares?

... and that is a very tough question, ...

A. Well, I want to show him -- and it is all a matter of other testimony now. I wanted to show him that we weren't just trying take his $15,000. We did have ou wn assets.

... -- again, it was a matter of cred-

I did have other assets. We did raise a lot of money and we did need him at this time as an investor. We needed stockholders and I said, "Jim, I am buying 15,000 shares myself and I would buy more, but we don't want to wind up owning all of the stock that we are selling."

And I said, "You can see that here is something that is tangible." And it was worth a lot of money at the time and I said I have the money and assets and I would buy

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more stock, and it was left at that, and I don't think there was anything more that was -- and from the day they bought the stock, they actually had a loss for a long time, a paper loss, and there was never any guarantee, and never a point other than six or eight months down the road where they were even interested in buying or selling, and to this day Mr. Diamond still owns more stock than he ever originally purchased.

Q. Did you and Mr. Diamond have any understanding as to what could be done with the 30,000 shares of Dusenberg?

A. No. There was no specific understanding. It was something that was done among friends. I told him specifically I did not think we would lose any money in Mackey. I said if we were given the money from the public underwriting, if we were let to continue doing what we are doing, I think the company is going to become very profitable and will be very worthwhile, and we will need a couple of years to do this.

Q. Sir, you state you gave Mr. Diamond shares of I told him I felt we could do certain acquisitions that I had done in the past and we could make a very, very successful company out of it.

* * * * *

4. The aforesaid testimony of the defendant JAMES D. CORR, III, in paragraph three of Count Two, as he then and there well knew, was false and concealed and covered up the material facts set forth in paragraph 4 of Count One.

(Title 18, United States Code, Section 1001)

COUNT THREE

June 26, 1973

Q. Do you maintain any brokerage accounts?

A. Yes.

Q. Tell us where.

A. I have about 50. Do you want all of them or would you like a list?

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Q. Well, why don't you give us the ones that come to mind.

A. My most active account is at Raymond James & Company [sic Associates] in St. Petersburg, Florida, the main office. I have accounts at Merril Lynch, Walston, Hayden Stone, Dominick & Dominick, Cowen & Company, Hartzmark & Company, Edwards & Hanley, Ferkauf Roggen, F.I. DuPont, Glore Forgen, (sic) Loeb Rhoades, L.M. Rosenthal, J.D. Winer.

I probably have a lot more.

MR. FILMORE: Mr. Corr, are these accounts in the name of James Corr or some other name?

THE WITNESS: Only my name.

* * * * *

2. The aforesaid underlined testimony of defendant JAMES E. CORR, III, in paragraph one of Count Three, as he then and there well knew was false and concealed and covered up the material fact that the defendant JAMES E. CORR, III opened and maintained brokerage accounts in which he had the beneficial interest in the names of Kathleen Keogh, Joseph Sonberg, Raphael Venturo [sic], Jose Cohen, Raymond Corr, Lester Van Ess, Dennis Ormond and Irving Berman.

(Title 18, United States Code, Section 1001)

COUNT FOUR

June 26, 1973

BY MR. TUCKER:

1. Q. Mr. Corr, at this time I would like to ask you whether you maintain control over any brokerage accounts that are not in your name?

A. I would say all the majority stockholders, and I could name them with their approximate position, while they have been involved with me for a long time. I exercise control not so much over the account as I do the individual as to whether they would buy or hold. As was the case, when a stock was $3 or $4 a share, I advised these people that I

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thought they should double up on their position because in most cases we had substantial losses. Most bought stock around 10 or 11 dollars.

* * * * *

. . . I have an interest with a South American group of very substantial and wealthy people, the Venturo (sic) family. They are clients of Barry Drayer and originally from Chile.

They wanted very much to participate in getting control of the corporation. They had a sizable position, and prior to the suspension I met with Mr. Kramer and I explained to him the situation. And we did want to in effect buy control, and we were in the process of buying stock on the open market.

With the stock on the open market and my 205,000 (250,000 sic) shares, we would control about 47 percent of the company.

And other insiders expressed an interest, and we have been basically going to make Mr. Mackey an offer, and we are in negotiation to make an offer, and he gave a price of what he wanted to sole (sic, sell) control and we were in the process of making that decision.

So I exercised a lot of control over the Venturos. (sic) I don't exercise control over the majority of their brokerage accounts. They have then all over the country and world, and they do most of it through Bank America. I have no control over that.

Probably most control again would be through Barry Drayer, power of attorney which they gave him. And when we were acquiring stock, in fact, we were giving dollar figures as to what we could acquire, how many shares and how many dollars involved.

So you might say complete control as to dollar amount and specifically to buy Mackey stock.

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That family includes Rafael Venturo (sic) his company doctor, Issac Cohen, I think his brother, Jose Cohen, and Heime Venturo (sic). That would be almost complete control of one set of circumstances, not the entire brokerage business.

* * * * *

2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Four, as he then and there well knew was false and concealed and covered up material facts, namely, that the South American group did not want (a) to participate in getting control of Judo and (b) to buy control of Judo in the open market.

(Title 18, United States Code, Section 1001)

COUNT FIVE

June 26, 1973

1. Q. Could you tell us what bank loans you made in the last 18 months in excess of $20,000 and used Mackey stock as collateral?

A. None. I have used Mackey as additional collateral but on the majority of my collateral, most banks never want the stock.

For example, since the suspension, everybody has given me back the stock and I have put up other collateral.

* * * * *

Q. Confining ourselves to 1972, did you put up Mackey stock as collateral for any of your loans?

A. Strictly --

Q. Not strictly. It could be Mackey in addition to other collateral. Was Mackey used as collateral in connection with any other loans in '72?

A. I don't know whether you recognize I put on my financial statement. I have a lot of unsecured loans that go with my total position.

Whatever I have owned --

Q. You are not answering the question. The question is in connection with any loan that was made in the

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year 1972 did you put up Mackey stock as collateral?

A. Yes, but not specifically Mackey stock because the banks really don't want an account of stocks.

Q. In addition to whatever else you put up --

A. In addition to my other collateral, each bank has had my personal statement.

Q. But Mackey, in addition with the other collateral, was put up in the year 1972 for a loan?

A. Right.

* * * * *

2. The aforesaid testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Five, as he then and there well knew, was false and concealed and covered up the material fact that the defendant JAMES E. CORR, III, filed two false loan applications in 1972 at the Underwriters Bank & Trust Company for the purpose of obtaining a forty-thousand dollar ($40,000) loan; said loan was made in the name of Joseph Sonberg ($20,000) and Kathleen Keogh ($20,000) and was secured only by 2,000 shares of Judo and not any additional collateral.

(Title 18, United States Code, Section 1001)

COUNT SIX

June 26, 1973

1. Q. Have you ever heard of Joseph Sonberg?

A. He is my half-brother.

Q. Do you know where he has maintained brokerage accounts in the last 18 months?

A. Yes.

Q. Where?

A. Morgan Kennedy, Sterling Grace & Company, and Raymond James & Company.

Q. To your knowledge, do you know if Mr. Sonberg purchased Mackey stock?

A. Yes.

Q. Do you know how Mr. Sonberg came to purchase Mackey stock?

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A. You mean --

Q. Did Mr. Sonberg go out and call up a broker and place an order, to your knowledge, or did you?

A. It really depends. I have full discretion on his account.

Q. I am interested in the situation where Mr. Sonberg purchased Mackey stock.

A. Well, there has been so many times. I am not being evasive but you are dealing with the last 18 months, now. He purchased stock in Mackey a month ago or two months ago.

He purchased stock 18 months ago. If you give me a specific time I can tell you whether he called or I called or --

Q. Let's take the summer and fall of '72.

A. Right. Summer and fall --

Q. Of '72.

A. I would say the majority of the times I would probably -- on the purchase side, I probably made the decisions and on the sell side, one very big time when we made a distribution I made the decision with him to go ahead and sell it.

* * * * *

Q. Sir, I believe your testimony is that in most of the cases you entered purchase orders for Mr. Sonberg and in most of the cases you entered sell orders for Mr. Sonberg. Is that correct?

A. Right.

Q. Do you have any financial interest in that account, sir?

A. Again, only towards accumulation. There has never been a disbursement of one dollar. Everything has been accumulation. Mr. Sonberg owns a lot of Mackey stock. Any dollars that have ever been put into the account have been toward the accumulation.

Q. Who put the dollars into the account?

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A. Originally he did with money that he was owed by [illegible] company and by me for services. My brothers have always worked for me. I have owed them money for their services and I have paid them what I have owed them.

Q. Well then, is it your testimony that the money used to purchase the Mackey stock in any of the Joseph Sonberg accounts were moneys that belonged to Joseph Sonberg. Is that correct?

A. Money that he had coming to him.

[illegible] For example, the corporation owed him money which they paid him.

* * * * *

Q. On the sell orders for Mr. Sonberg, to your knowledge, do you know if Mr. Sonberg had received proceeds from the sale of his Mackey stock?

A. As I previously stated, there has never been dollar disbursement. Always accumulation of other stock. And whatever stock is in the account, that belongs to Mr. Sonberg.

[illegible] Q. Sir, when he sold his stock in Mackey during any point in time do you know to your knowledge whether checks were issued by the brokerage houses to Mr. Sonberg?

A. If they were, they were for small debit balances because they were immediate repurchases made in the account.

[illegible] I don't think there was a time where anybody sold and took a check. I think almost every time there was a sale, there was a counteract of a repurchase of securities.

* * * * *

[illegible] 2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Six, as he then and there well knew was false and concealed and covered up the following material facts: (a) Joseph Sonberg did not maintain any brokerage accounts at Morgan Kennedy & Co. Inc., Sterling Grace & Co. Inc. and Raymond James & Company; (b) monies were paid out from the above-mentioned

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accounts and deposited into the bank accounts of the defendant JAMES E. CORR, III: (c) Judo securities purchased in these accounts were purchased using monies of the defendant JAMES E. CORR, III and not Joseph Sonberg; (d) Judo securities purchased in these accounts were purchased for the beneficial interest of the defendant JAMES E. CORR, III and not Joseph Sonberg, and (e) the defendant JAMES E. CORR, III made all decisions to purchase and sell Judo securities in the above-mentioned accounts.

(Title 18, United States Code, Section 1001)

COUNT SEVEN

June 26, 1973

1. Q. Kathleen Keogh?

A. She is my ex-wife.

Q. During the last 18 months where has she maintained accounts?

A. Sterling Grace, Raymond James, Fingerhut & Company, Cowen & Company, Hartzmark and Company.

Q. Did you have control over these accounts?

A. I had full control over the purchases and sales.

Q. Do you still maintain control over these accounts?

A. No.

Q. Do you know whether those accounts still own any Mackey stock?

A. She owns no Mackey stock whatsoever.

Q. Did you have financial interest in those accounts when you maintained control?

A. Only to the extent of money that we owned from joint property. We were divorced and we had substantial interests in property and disbursement from the property and once we had money in the stock market, and to the extent that we traded out of our joint account was my financial interest. Just this year it has been divided up and whatever money was hers has been paid to her.

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I would say there was probably a 50/50 splitup based on the equity maintained in the accounts.

* * * *

Q. So in 1972 did she know you were purchasing Mackey stock for her?

A. Yes.

Q. How do you know that she knew?

A. As I previously stated, there was joint moneys involved. There was community property, joint property, there were stocks we owned together, and she received a copy of every trade slip, and I would talk to her three or four times a week and tell her what we were doing.

Q. Sir, to your knowledge, do you know if any checks from brokerage houses were issued to Kathleen Keogh?

A. Again, they would be like debit balances. I hardly ever sold where we didn't make a substitution. If checks were issued, they would be for debit balances, and I don't believe they would be substantial because almost in every case we made substitutions.

* * * *

2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Seven, as he then and there well knew was false and concealed and covered up the following material facts: (a) Kathleen Keogh did not maintain any brokerage accounts at Sterling, Grace & Co., Inc., Raymond James & Co., Fingerhut & Co., Cowen & Company and Hartzmark & Co.; (b) checks were issued in the name of Kathleen Keogh and deposited into bank accounts of the defendant JAMES E. CORR, III; and (c) the accounts were not joint accounts and there was no 50-50 splitup based on the equity maintained in the accounts.

(Title 18, United States Code, Section 1001)

COUNT EIGHT

July 9, 1973

1. Q. Okay.

Mr. Corr, I don't want to leave the area of the

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meetings early in 1972, but I would just like to go a bit further in this respect.

The need for you to find individual shareholders, as you have indicated to the staff, in order to satisfy the NASDAQ requirements for number of shareholders, necessitated that Mackey stock be sold to individuals, and that you had some control over these shares, and for one, Mr. Bradley, you told him he could sell the shares. You told him why he could sell the shares, and you also told him that in order to get those sold, some Health Delivery Systems would have to be purchased?

A. Right.

Q. Mr. Corr, who else, to your knowledge, went through a similar set of transactions?

A. Okay. I did myself, Joseph L. Sonberg, Dan Keough (sic), Kathleen Keogh, Irving Berman, Bartlesville Investment Corporation, Dr. Ormond, Mrs. Ormond, and I think that is it. Yes.

* * * * *

2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Eight, as he then and there well knew was false and concealed and covered up the material fact that the accounts at Morgan, Kennedy & Co. Inc. in the names of Joseph Sonberg and Kathleen Keogh were accounts opened and maintained for the beneficial interest of the defendant JAMES E. CORR, III; said shares were owned by the defendant JAMES E. CORR, III and sold through these accounts opened by the defendant JAMES E. CORR, III.

(Title 18, United States Code, Section 1001.)

COUNT NINE

July 9, 1973

1. Q. Sir, do you know an individual by the name of Robert Drucker?

A. I only met him one time.

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Q. Do you know who he is?

A. Yes.

Q. Who is he?

A. He's a principal at Commonwealth Chemical, a stock brokerage, NASD member firm.

Q. When you say you met him once, face-to-face?

A. Right.

Q. Did you ever have any telephone conversations with him?

A. Several.

Q. Do you recall the time period in which you had the conversations with him?

A. It was in the period from the time that the rumors started spreading around about Mackey.

I called up Mr. Drucker, and I told him that, if I could prove that he was spreading an untrue rumor, I was going to take him to the NASD.

And he --

Q. When was this conversation, sir?

A. Back in July of 1972 was the first time I ever spoke to him.

Q. And subsequent conversations, do you recall when --

A. I called him several different times. I wanted to get him off the machine on the stock.

He was spreading rumors. I have at least -- what I believe some other people will testify to as to the rumors he was spreading that were indirect violations of the NASD rules.

Q. When you say you wanted to get him off the machine on the stock, do you recall what was said in connection with that?

A. He said I'm making a ton of money in the stock. He said I've got a lot of inside information. He

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said you guys are all going to jail, you're in a lot of trouble.

He said I'm not dropping off the machine.

Q. When was this, sir?

A. In July.

Q. Sir, do you recall any conversation with Mr. Drucker concerning a stock called Unimet?

A. Right.

Q. Do you recall when you had that conversation?

A. Right. He was -- I had a big position in Unimet. He was short the stock. He was looking for stock. He came in to -- I forget whether it was Raymond James or Morgan, Kennedy -- and he was looking for 5,000 shares of stock.

I called him up directly and said, "What do you want to pay for the stock?"

I think he said about $8 a share.

I said, "All right," I said, "I'll tell you what," I said, "I'll swap you Unimet for an equal amount of Mackey."

He says, "What, are you crazy?" He says, "That's a lot of stock."

I said, "I understand you're a big player," I said, "You are short the stock," I said, "Here's a chance, if you think the stock is collapsing, here's a chance to short another $70 - $80,000 worth of stock.

"I will give you 10,000 Unimet at 8," I said, "And you sell me $80,000 worth of Mackey." I said --

Q. How many shares?

A. At the time that would have been about 10,000.

Would have been an equal swap. Mackey was about 7-1/2, 8 dollars.

So, he said, "Well, I'm telling you the stock is going to zero because Morgan, Kennedy is going out of business."

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"How the hell do you know that?"

He says, "I know everything," he says, "I have got friends at the NASD. I've got friends at the SEC. I have friends at the U.S. Attorney's office.

"Every stock I short, you get on the machine and watch."

He watched the Unimet. It's down from 12. It's going to 2. It turned out he was right. The stock went to 2.

* * * * *

Q. Are you saying, sir, that you did not offer to buy 10,000 shares at $9 a share?

A. The stock wasn't 9. It was 7-1/2, 8.

Q. That's not the question.

The question is what you offered to pay him for the stock.

A. I have no recollection of that. I told him I would swap whatever the dollars were. Whatever I got from the sale of the Unimet he could give me Mackey.

Q. Sir, do you recall if Mr. Drucker told you to send in a broker to bid 10,000 shares at $9?

A. Yes.

And I believe -- it wasn't $9. We sent in -- I don't know -- I can't remember whether it was Sterling, Grace or Raymond James, but I sent someone in with a bid, and he refused it.

* * * * *

Q. To the best of your recollection, what was said at that conversation?

A. I said I would swap him. I said -- I think it's the first time I ever spoke to him -- I said, "Drucker everybody tells me" --

Q. This was not the first time you spoke to him.

A. About making a trade.

I said, "You're supposed to be a big hitter. You're telling everybody you're busting Mackey, you're killing everybody's stock.

"Here's a chance, if you really want to gamble, I'll sell you 10,000 Unimet; you'll sell me an equivalent amount of Mackey, dollar for dollar."

* * * * *

Q. Did you state to Mr. Drucker as to how many shares you were willing to buy of Mackey?

A. I think I told him, before you are going to make the company worn, I will buy the whole company and make it a dollar.

He told me he was going to make the stock a dollar. He said he was going to bust it, just like he busted all the other stocks up there.

Q. Do you recall telling Mr. Drucker you were willing to buy up to 40,000 shares of Mackey?

A. I think I told him I would buy the whole company. He said he was going to make it a dollar. I said, "If you do make it a dollar, I will buy the whole company." I am -- I don't think I said $40,000.

* * * * *

2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Nine, as he then and there well knew was false and concealed and covered up material facts, namely, that they did not first speak in July, 1972, and Robert Drucker and the defendant JAMES E. CORR, III, did not say in the above-mentioned conversation what the defendant JAMES E. CORR, III testified was the conversation.

(Title 18, United States Code, Section 1001)

COUNT TEN

July 9, 1973

1. Q. Did you ever make any price projections to Mr. Buschbaum or anyone else, concerning the Jerome Mackey?

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A. I don't believe so. I specifically always told people that the company was extremely well, that historically any company that I have been associated with that did well, and could double their sales in earnings it was a situation. We made earnings projections.

* * * * *

2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Ten, as he then and there well knew was false and concealed and covered up the material fact that the defendant JAMES E. CORR, III made price projections to brokers and traders, including, but not limited to R. Bruce Buschbaum, Daniel Salant and Richard Sobel.

(Title 18, United States Code, Section 1001)

COUNT ELEVEN

July 9, 1973

1. Q. Sir, was he [Buschbaum] at high bid at your instructions?

A. No, not at my instructions.

What the instruction were (sic), and what the verbal commitment was, that on any given day that he had to buy a lot of stock that I would put it in my account, or I would find him a buyer.

That was how we work, and that was something that we met with David Grace and the principals in the firm.

I repeatedly told him, "When I'm travelling," I said, "Bruce, you have got to play it by ear. If I am gone one day, you can't buy the whole company."

And that's just about what he did in one period of time. He just about bought the whole damn company, rather than -- I told him many times, "For Christ's sake, go down. The stock doesn't have to stay there. Let it go down."

But he was fighting a short, and I think the rest of the people in that firm will testify to that. I

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know I have spoken to them about it, and they think he was insane.

He personally cost us about half a million dollars doing what he did.

* * * * *

2. The aforesaid underlined testimony of the defendant JAMES E. CORR, III, in paragraph one of Count Ele as he then and there well knew was false and concealed and covered up the material fact that Buschbaum did maintain a high bid in Judo securities at the instructions of the defendant JAMES E. CORR, III.

(Title 18, United States Code, Section 1001)

COUNT TWELVE

July 16, 1973

Q. In the Value Line writeup, which is dated August 11, it is stated in there that, page A991, the second complete paragraph on that page, states within the -- "Within the past week Mackey announced that it had purchased for an undisclosed amount of stock, Telephone Sales and Service, Inc.," and it goes on.

A. Right. That is a misquote, and I called Wayne up about that. We in fact never did purchase the company.

Q. When did you call Mr. Wayne up?

A. The day that I received this.

Q. What day was that?

A. I would have to check the date that we actually received this. It was printed August 11. I don't think we got it until a day or two later. I told him that was a mistake. We never did make that announcement.

Q. What did he say to you when you told him it was a mistake?

A. He said he thought he had send [sic seen] it in the trade newspapor. I said, "Well," I said, "we never completed the purchase." Matter of fact, I spoke to the attorneys about that, and they told me that the burden of

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information of this nature rests on Value Line for something that was untrue, because we certainly never announced that we completed the purchase.

* * * * *

Q. Was that before or after you told Mr. Russell -- Mr. Wein -- was that before or after you had a conversation with Mr. Wayne?

A. I called him first. I called him to get some reprints of this, and I also told him, I said, "Russ, you know, you made a mistake here." I said, "We never announced that we had acquired Bradley."

I said, "We haven't completed the deal."

He says, "Well, I thought I read in the trade paper, or something, where you announced that you had completed it."

* * * * *

2. The testimony of the defendant JAMES E. CORR, III in Count Twelve, as he then and there well knew was false and concealed and covered up the material fact that the defendant JAMES E. CORR, III never called Russell Wayne to advise him that the Value Line article was incorrect.

(Title 18, United States Code, Section 1001)

Joseph McMorrow
FOREMAN

Thomas J Cahill
THOMAS J. CAHILL
United States Attorney

75 Cr. 1059

JUDGE WEINFELD

November 6, 1975 - Filed Indictment and referred to Judge Weinfeld as a related and superseding indictment to 75 Cr. 803-EW.

Weinfeld J.

United States District Court

SOUTHERN DISTRICT OF NEW YORK

THE UNITED STATES OF AMERICA

vs.

JAMES E. CORR, III,

Defendant.

INDICTMENT

89a

THOMAS J. CAHILL

United States Attorney.

A TRUE BILL

Joseph McMorrow

Foreman.

U.S. DISTRICT COURT
FILED
NOV 6 1975
S.D. OF N.Y.

* * * *

xx H E N R Y J E R O M E M A C K E Y, called as a witness by the Government, having been first duly sworn by the Clerk of the Court, testified as follows:

MR. SORKIN: May I proceed, your Honor?

THE COURT: Please.

(Court Exhibit 1 marked.)

DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Mackey, please keep your voice up so all the jurors can hear you.

Mr. Mackey, how old are you?

A 45.

Q Could you tell us very briefly your educational background.

A Yes.

I have academic education through high school, and then I came to New York to go to Julliard School of Music, where I went for seven years, and one year privately.

Q Mr. Mackey, have you ever been convicted of a crime?

A Yes, I have.

Q When?

A Within the last 60 days.

Q And where is that, sir?

A In the Eastern District of New York.

Q And what was the charge and the crime for which you were convicted?

A It was mail fraud.

Q Are you waiting to be sentenced at this time?

A Yes, sir, I am.

Q What, if any, understanding do you have with the United States Attorneys Office for the Southern District of New York with respect to your sentencing in the Eastern District of New York?

A The only understanding I have is that -- that the Southern District will write a letter indicating my degree of cooperation in this trial.

Q Mr. Mackey, have you ever heard of a company known as Judo, Inc.?

A Yes, sir.

Q What was Judo, Inc., or what is Judo, Inc.?

A That was the predecessor of Jerome Mackey's Judo, Inc.

It was formed in 1958 by me.

Q And did there come a time when Judo, Inc. changed its name?

A Yes.

Q And when was that?

A Approximately 1971, I believe.

Q And what was the name that it was changed to?

A Jerome Mackey's Judo, Inc.

Q Mr. Mackey, were you a principal of Jerome Mackey's Judo, Inc.?

A Yes, I was.

Q What was your position with the company?

A President and Chairman of the Board.

Q Did you teach Judo, Mr. Mackey?

A Yes, sir.

Q What is your education with respect to Judo? What is your background there?

A I am a fourth degree black belt in judo.

Q How long did you teach judo?

A I began teaching in 1956, and have been teaching every since.

* * * *

* * * *

CROSS EXAMINATION

BY MR. LESCH:

Q Mr. Mackey, my name is Mr. Lesch, Mr. Corr's lawyer. You mentioned yesterday that you were indicted in the Eastern District of New York, is that right?

A That is correct.

Q That was an indictment relating to a scheme to defraud a number of people who purchased the right to distribute tapes, is that correct, sir?

A That is correct.

Q And those tapes were tapes that gave lessons on how to do Karate and Judo and Kung Fu and that kind of thing?

A No, sir.

Q What kind of tapes were they?

A They were eight-track stereo tape distributorships.

Q What was on the tapes?

A It was songs that you would hear on the radio, that type of thing.

Q Did it have anything to do with Karate and Kung Fu?

A No, sir, unrelated.

Q And you created a company called Mackey Distributors, Inc., is that right?

A That is correct, yes.

Q And you represented that that company was a subsidiary of Jerome Mackey's Judo, Inc., is that right, sir?

A That is correct.

Q And in fact it wasn't a subsidiary of Jerome Mackey's Judo, Inc., is that correct?

A That is wrong. It was a subsidiary.

Q It was a subsidiary. So when the indictment in the Eastern District said it wasn't, they were in

error?

A They were ... error.

Q And these tapes were sold to a number of distributors, were they not?

A Yes, sir.

Q And they were sold by making a number of representations to those distributors, is that correct, sir?

A Yes, sir.

Q For example, the distributors were told that they would get cabinets to put the tapes in, is that right?

A That's right.

Q And that was a false representation, wasn't it?

A At times it was true, and at times it was false.

Q A lot of the people who bought these tapes didn't get the cabinets that they paid for, is that right?

A That's right.

Q And they were also told that their cabinets would be stocked with other tapes from time to time, were they not?

A They were.

Q And that was a false representation, wasn't it?

A Some of them were restocked from time to time, is my understanding. I didn't personally operate that company.

Q You didn't make those false representations?

A I didn't make those false representations, no.

Q And you didn't know that those false representations were made?

A Absolutely not.

Q And yet you were convicted, weren't you?

A That's correct.

Q -- of six or seven counts of fraud in this scheme to sell these --

A Six counts, yes.

Q Six counts?

mpe 2 Mackey - cross

And that was an erroneous conviction in your opinion, is that right?

A In my opinion it was an erroneous conviction, right.

Q Because you were entirely innocent, is that right?

A I was entirely innocent.

Q I see.

The fact is that Mackey Distributing got a lot of money from these various individuals who bought the tapes, isn't that true?

A Approximately $300,000.

Q And that money -- has that been returned to those individuals?

A Not to my knowledge.

Q And there was talk of advertisements in newspapers, that is, that Mackey Distributors, Inc. would cause a lot of advertisements to be placed in newspapers so that those tapes could be sold?

A That was the subject of that indictment.

Q And that was used in order to sell these tapes to these distributors, was it?

A That's right.

Q And those advertisements were never put in the

mpe 3 Mackey - cross

newspapers, were they?

A You are incorrect in that. Apparently the advertisements were put in the newspapers, although I had no knowledge of it.

Q They were put in?

A Yes.

Q But the Government charged that they weren't put in?

A No, I believe the Government charged that they were put in.

Q The advertisements were put in in order to help sell those tapes?

A Yes. That was the claim of the Government.

Q And you sold franchises to a lot of people. One man's sum was Paul Suk.

A Yes.

Q And another name was Fred Cole?

A That's correct, whatever it was.

Q And they paid made money for those franchises.

A That's my understanding.

Q Thomas Conner was another?

A Yes.

Q And John Metzger and Mort Flynn and Dale Webb.

A Yes.

Q Now, do you remember the date that you were convicted in that case, sir?

A I don't remember the exact date, but it's been within the past 60 days.

Q It was on October 14, 1975, wasn't it?

A That could be it, yes.

Q And then -- now, you have to be sentenced in that case, right?

A That's right.

Q Has a date been fixed for your sentencing yet?

A I believe a tentative date has been set for January 15th.

Q Now, that is a little long, considering that you were convicted on October 14th, isn't it?

A Is that right?

MR. SORKIN: I object to whether it's long.

THE COURT: Objection sustained.

Q Do you know that your attorney wrote a letter to the Judge in the Eastern District of New York asking that the sentencing date be put over until January, so that you could first testify in this case and be of help to Mr. Sorkin?

A I am aware of that, yes.

Q And do you know that before he wrote that letter,

the United States Attorney for the Eastern District of New York, a man by the name of Mr. Trager wrote a letter to Judge Weinstein on the subject of sentencing in that case?

A Yes. I've seen that letter.

Q Is this a copy of the letter?

A It appears to be, yes.

MR. LESCH: I offer this in evidence, Mr. Sorkin.

MR. SORKIN: Thank you.

Your Honor, I will concede that this is the letter. I object to its admission on the grounds that I don't think Mr. Mackey is responsible for what his lawyer wrote.

MR. LESCH: This isn't the lawyer. This is the United States Attorney.

MR. SORKIN: I am sorry. For what Mr. Trager wrote to the Judge. I think he is entitled to ask if he knows, but I don't think Mr. Mackey can testify to what went through Mr. Trager's mind when he wrote to Judge Weinstein.

MR. LESCH ~~SORKIN~~: Your Honor, I am offering this for a very simple reason.

THE COURT: I can't pass on it until I see the letter.

mpe 6 Mackey - cross

MR. LESCH: I am offering it because Mr. --

MR. SORKIN: I object to any statements until the Court rules on it.

MR. LESCH: I think it will be apparent to the Court.

THE COURT: The objection is sustained.

MR. LESCH: Will your Honor hear me at the side bar?

THE COURT: I don't have to hear you. Next question, please.

Q Do you know that Mr. Trager, the United States Attorney in the Eastern District, said to this Court --

MR. SORKIN: Your Honor --

THE COURT: I am going to sustain the objection even before it is made. I have just ruled on that letter, and you are attempting to get before the jury what's in that letter, and I will hold that a recommendation from the United States Attorney, whatever it is, is irrelevant to this case. You have proof that this defendant is convicted of a crime. You have the nature of the crime. He has not yet been sentenced.

Now, put the next question. There will be no more discussion on this.

MR. LESCH: Will your Honor hear me on the side

bar on this?

THE COURT: No, we are getting too many side bars by lawyers in these cases. That's one reason these cases go on for five and six weeks.

I have ruled. It is no more relevant than if he had made a recommendation opposite to what is contained therein. The Judge makes the determination.

MR. LESCH: May I have this marked for identification, please.

THE COURT: Mark it for identification.

XX (Defendant's Exhibit A marked for identification.)

Q Now, after Mr. Trager wrote to the court, your lawyer wrote a letter, didn't he?

A Yes, sir.

Q And is this a copy of the letter that your lawyer wrote?

A It appears to be so, yes.

MR. LESCH: I have this in evidence.

THE COURT: Show it to Mr. Sorkin, please.

MR. SORKIN: Objection, your Honor.

THE COURT: Let me see the letter, please.

Are you offering this letter?

MR. LESCH: Yes.

mpe 8 Mackey - cross

THE COURT: Objection overruled.

xx (Defendant's Exhibit B for identification, was received in evidence.)

MR. LESCH: May I read it to the jury, your Honor?

THE COURT: It is in evidence. You may.

(Mr. Lesch read to the jury from Defendant's Exhibit B in evidence.)

MR. LESCH: I believe Mr. Sorkin will agree that the law firm on the letterhead represented Mr. Mackey at the trial.

(Mr. Lesch continued reading to the jury from Defendant's Exhibit B in evidence.)

Q So you know, do you not, Mr. Mackey, that your testimony in this case has a bearing on the sentence that you are to receive in the Eastern District of New York?

MR. SORKIN: Objection as to form, your Honor.

THE COURT: He may answer it, if he can.

THE WITNESS: Yes, I know it has some bearing on it.

Q If Mr. Sorkin comes over to the Eastern District of New York and says that you have fully cooperated with the Government, you know that may have an influence on the Judge in fixing your sentence, is that right?

mpe 9 Mackey - cross

A I know it's possible, yes.

Q So you have every interest to make Mr. Sorkin happy, don't you?

MR. SORKIN: Objection.

THE COURT: Sustained as to form. Please raise up quickly and make your objection promptly.

Q Now, in the investigation in the distributors case you were also investigated by the District Attorney of Nassau County, is that right?

A Yes.

Q And you lied to the District Attorney of Nassau County in that investigation, didn't you?

A Absolutely not.

Q And if Mr. Trager said that you did, he would be in error?

A He is in error.

MR. SORKIN: Objection.

THE COURT: Objection sustained as to form.

Q Do you know that the United States Attorney for the Eastern District of New York has made that statement to the Court, that you lied in the Nassau County investigation?

MR. SORKIN: Objection, your Honor.

THE COURT: Objection sustained.

Q Do you know that your conviction of a crime is

considered a very important matter in the Eastern District?

MR. SORKIN: Objection as to form.

THE COURT: Considered important by whom?

I would think the conviction of a crime in any Court is important, and you don't have to ask a witness that.

Now, put a relevant question.

Q Do you know that it is considered a major consumer fraud in the Eastern District of New York?

MR. SORKIN: Objection.

THE COURT: Objection sustained.

Q Do you know that you are under the danger of going to jail for a long time as a result of your conviction in the Eastern District of New York?

A Yes, I do.

Q You say you were convicted of six counts. Do you know how many years in jail you can spend for those six counts?

A No, sir.

Q Well, the title was 18 USC, Section 741.

MR. LESCH: Mr. Sorkin, will you stipulate with me as to the number of years he can spend in jail on each of those counts?

MR. SORKIN: Your Honor, I object. I think Mr.

Lesch has made his point and I don't see what relevance it has.

I will stipulate to it. The penalty is five years in prison, for a total of 30 years, and a fine is involved as well.

THE COURT: If the Court should impose consecutive sentences.

MR. SORKIN: That's correct, sir.

Q Mr. Mackey, you are now facing 30 years in jail for your conviction in the Eastern District of New York, is that right?

A If you say so.

* * * *

* * * *

Q Who was the Chief Executive Officer of Jerome Mackey's Judo?

A I was.

Q When a decision was to be made with respect to the location of the franchises, who made that decision?

A I did.

Q When a decision was to be made as to compensation of employees, of important employees of the company, who made that decision?

A I made that decision.

Q When a contract was to be entered into for advertising services, who made the decision as to whether that contract would be entered into?

A I did.

Q For example in the Milt Warner Associates agreements there was a commitment, was there not, to issue a substantial amount of shares of stock?

A Yes, sir.

Q Judo agreed to pay $150,000 in cash also, did it not?

A Yes, sir.

Q 10,000 shares of Judo common stock and also to provide Milt Warner Associates with judo and karate courses or issue an additional 10,000 shares of stock at the option of Milt Warner Associates?

A Yes, sir.

Q That was a substantial commitment to the company, was it not?

A I think it was, yes.

Q That was your decision, wasn't it?

A Basically it was mine, although it was discussed with the Board or Directors and a meeting was held as I recall.

Q But you were the only one -- you held the ultimate power in that corporation to decide whether that agreement would be made?

A I believe that's correct.

Q If you will pardon --

A If I wanted that agreement.

Q If you had wanted it and the rest of the Board of Directors had not wanted it, that agreement would have been entered into?

A Probably my opinion would have sustained.

Q Indeed at all times relevant to this case, I believe, '71, '72, and '73, you owned more than 50 percent of the outstanding common stock of Jerome Macke Judo, didn't you?

A Yes, sir.

Q In August I believe Government's Exhibit 1 will show that you owned 96.3 percent of the stock, August, 1971,

is that right?

A 93?

Q 96.3?

A Yes, I think.

Q That was approximately?

A That is approximately correct, prior to the underwriting.

Q And after the underwriting or at the end -- go to the end of December, 1972, you owned 57 percent of all the outstanding stock, isn't that right?

A Probably correct, in that vicinity.

Q And in the end of December, '73, you still owned more than 50 percent of the outstanding common stock?

A Yes, sir.

Q So at no point at any time relevant to this case did you own less than a majority of all the outstanding stock?

A That's correct.

Q And under the bylaws and the certificate of incorporation, you had the power to elect one hundred percent of the Board of Directors of that company, is that true?

A I believe that is true, yes.

Q Is this the form 8A that was filed on behalf of

Jerome Mackey's Judo with the Securities and Exchange Commission.

MR. SORKIN: Your Honor, may we again just have that marked. I'm not sure what year that is.

MR. LESCH: I will mark it in a second, Mr. Sorkin.

Maybe we can save the step and I can offer it in evidence.

A Well, it appears to be that, yes.

(Defendant's Exhibit BB marked for identification.)

MR. LESCH: I offer Exhibit BB in evidence.

MR. SORKIN: Objection as to relevance.

MR. LESCH: May I point his attention to the passage that I have in mind.

MR. SORKIN: If Mr. Lesch shows me, maybe I can resolve it. I don't know what part he is talking about.

MR. LESCH: This sentence here (indicating).

MR. SORKIN: Again, your Honor, relevance.

MR. LESCH: Did your Honor hear the passage that I was referring to?

THE COURT: Show it to me, come up here.

(At the bench off the record.)

MR. SORKIN: I will withdraw the objection.

xx (Defendants' Exhibit BB received in evidence.)

MR. LESCH: May I read one sentence.

THE COURT: Yes.

MR. LESCH: This is form 8A filed by Jerome Mackey's Judo to the Securities and Exchange Commission.

In the caption, description of capital stock. It says, "Therefore holders of more than 50 percent of the shares voting for the election of directors can elect 100 percent of the directors."

Q So, Mr. Mackey, it is correct, is it not, that throughout 1971, 1972 and 1973 and indeed after that time, you and you alone had the power to elect the entire Board of Directors of Jerome Mackey's Judo, Inc.?

A That's my understanding, yes

Q Mr. Corr was a consultant of the corporation, was he not, sir?

A Yes.

Q He was paid for financial services and services relating to the sale of the franchises, isn't that right?

A Yes, sir.

Q Those were the only services that he was paid for, isn't that right?

A Well, I think the agreement that he signed included more services than just the services relating to

franchising. It was his job to acquire banking. He also was working under a 5, 4, 3, 2, 1 on acquisitions.

MR. LESCH: He never got paid for that.

THE COURT: Let him finish, please.

MR. SORKIN: Your Honor, I object.

A He was working on getting publicity, getting financial publicity for the company, mergers, acquisitions, those were the areas that he was involved in.

It was reflected in that contract as I recall.

Q Let me see if I can refresh your recollection on this.

Exhibit E in evidence is the 1972 10K, you will recall.

Directing your attention to this language, "He received compensation for financial"--

THE COURT: Now you are reading something.

MR. LESCH: It is in evidence.

MR. SORKIN: I don't think he needs his recollection refreshed.

He wasn't asked a question.

MR. LESCH: He was asked the question whether he was paid for financial services and services relating to the sale of franchises. That was language which was quoted from the 10K and I am now asking him --

THE COURT: All right, put the question to him and don't make a speech about it.

Q Have you seen this document now?

A Well, I will have to. This is the 10K for what year?

Q 1972.

A Yes.

Q Is it correct that he was being paid for financial services and services relating to the sale of franchises?

A Yes, sir.

Q He was not an officer of Judo, was he?

A No, sir.

Q He was not a director of Judo, was he?

A No, sir.

Q He didn't even have a company credit card, did he?

A Absolutely not.

Q The only one who had a company credit card was you, right?

A That's right.

Q He didn't have a company car, did he?

A No, sir.

Q The person who was in charge of the management

and policy of Judo was Jerome Mackey, is that correct, sir?

A Yes, sir.

Q Every important decision in that company was made by H. Jerome Mackey, right?

A Well, certainly no important decision could be made without me.

Q When it was decided where to locate a school, you were the one who made that decision?

A Yes, sir.

* * * *

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AFTERNOON SESSION

1:10 p.m.

(Trial resumed.)

MR. WEINBERG: Government calls Martin Leshman.

xx M A R T I N L E S H M A N, called as a witness by the Government, having been first duly sworn by the Clerk of the Court, testified as follows:

MR. WEINBERG: May I proceed, your Honor.

THE COURT: Yes.

xx DIRECT EXAMINATION

BY MR. WEINBERG:

Q Where do you reside?

A West Bloomfield, Michigan.

Q What is your occupation?

A I'm an attorney.

Q Do you know an individual by the name of Sheldon Sonkin?

A Yes, I do.

Q How do you know him? Is he a personal friend of yours?

A Yes.

Q I'd like to direct your attention to the spring of 1972.

Did there come a time when you spoke to Dr. Sonkin about Jerome Mackey Judo?

A Yes.

Q After that conversation with Dr. Sonkin, did you purchase some shares of Jerome Mackey Judo?

A Yes, I did.

Q From what brokerage firm did you purchase the shares of stock?

A Merrill, Lynch.

Q Was Merrill, Lynch your regular brokerage firm at the time?

A Yes.

Q Did there come a time when you sold your stock in Jerome Mackey Judo?

A Yes.

Q Do you recall when, approximately?

A Shortly after I had bought it.

Q And to what brokerage firm did you sell your stock?

A Through Merrill, Lynch.

MR. LESCH: May we have the dates on these, your Honor?

THE COURT: Yes, try to fix the dates.

Q Do you recall approximately when you purchased

your -- your initial purchase of Jerome Mackey Judo?

A May of '72.

Q And you sold the stock shortly thereafter, after you purchased it?

A Yes.

Q Do you know an individual named James Corr?

A I have met him, yes.

Q Approximately when was the first time you spoke to Mr.Corr?

A Shortly after I had sold my stock in Jerome Mackey.

* * * *

* * * *

Q Did there come a time when Mr. Corr, Mr. James Corr told you what his duties and what his position was with Jerome Mackey Judo?

A Not a specific time that I can recall, just in conversation of the fact that he and I guess Jerome Mackey

with the controlling interest in this company and that they were -- they had developed this concept of self-defense, they were advertising it heavily, they were promoting it heavily. There would be resulting earnings in it. There was a possible chance of them arranging some type of merger with some type of telephone communications company at the time. I can't recall specific conversations pertaining to this. I think it's a matter of general impressions.

* * * *

xx 14 B A R R Y C H A J E T, called as a witness by the
15 Government, having been first duly sworn by the
16 Clerk of the Court, testified as follows:
17 MR. SORKIN: May I proceed, your Honor?
18 THE COURT: Yes.
xx 19 DIRECT EXAMINATION
20 BY MR. SORKIN:
21 Q Mr. Chajet, please keep your voice up so the last
22 juror can hear you.
23 Talk to me back here.
24 Mr. Chajet, how old are you, sir?
25 A 40.

Q Are you employed?

A Yes, I am.

Q In what capacity?

A I'm sales manager for Jaguar Chemical Company.

Q Mr. Chajet, are you a defendant in this case?

A Yes, I am.

Q Have you entered a plea of guilty?

A I have.

Q To what?

A One count of conspiracy.

MR. LESCH: May we have the same instruction again, your Honor, on this?

THE COURT: I don't see a need in giving it every time a defendant who pleads guilty is called. I will instruct the jury again at the appropriate time.

I have already instructed them at least three times.

Q Before what Judge did you enter your plea of guilty?

A Judge Weinfeld.

Q Prior to entering your plea of guilty, did you enter into an agreement with the United States Government, through the United States Attorney's office?

A Yes, I did.

Q Let me show you, Mr. Chajet, what has previously been marked as Government's Exhibit number 74.

MR. SORKIN: I hand copies to defense counsel and a copy to the Court. (Handing.)

Q Would you look at Government's Exhibit number 74, Mr. Chajet and I ask you, sir, is that an exact copy of the agreement that you entered into prior to your plea of guilty?

A Yes, it is.

Q Is that your signature on the last page?

A Yes, it is.

Q Is that your attorney's signature?

A Yes.

MR. SORKIN: Your Honor, we offer '74.

MR. LESCH: No objection.

xx (Government's Exhibit 74 for identification, received in evidence.)

MR. SORKIN: Your Honor, with the Court's permission, I would like to read it to the jury.

THE COURT: It is in evidence. It may be read.

(Mr. Sorkin read from Government's Exhibit 74 in evidence to the jury.)

* * * *

Q Now, in connection with those stocks, was there a Securities & Exchange investigation at Morgan, Kennedy?

A I believe only involving Textured Products, that I recall.

Q Did you testify at that SEC investigation?

A No, sir.

Q You testified before the SEC in a number of matters unrelated to Jerome Macey's Judo?

A Only one.

Q Which one was that?

A None of those.

Q Wouldyou care to give me the name, sir?

A It involved a stock called Bellair Financial.

Q When was that?

A About two or three months ago.

Q Were you also investigated by the SEC?

MR. SORKIN: Objection, your Honor.

jpbr 34 Chajet-cross

THE COURT: He didn't say he was investigated. He said he was a witness.

Q Were you investigated by the SEC in connection with that stock?

MR.SORKIN: Your Honor, I object.

THE COURT: Objection sustained.

(Continued on next page.)

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gwrf 6 Sonberg-direct

THE COURT: All right.

(In open court.)

DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Sonberg, please keep your voice up so everyone in the jury can hear you.

Mr. Sonberg, how old are you, sir?

A 45.

Q 45?

A 45.

Q Where do you reside?

A Pinellas Park, Florida.

Q Are you the half brother of the defendant James E. Corr, III?

A Yes.

Q How are you employed, Mr. Sonberg?

A Presently?

Q Yes, sir.

A I work for a Space Maker Company in St. Petersburg.

Q What is the Space Maker Company?

A A manufacturer of utility buildings.

Q Who is the president of Space Maker?

A I am not sure who is president, either James or

Necia.

Q I'm sorry?

A James or Necia.

Q James Corr or Necia Corr?

A Yes. They own it.

Q Were you hired by Mr. James Corr to work there?

A Yes.

Q Prior to your employment at Space Maker, what did you do, sir?

A I worked for Pinellas County.

Q In what capacity?

A Building maintenance.

Q Prior to that?

A I was working for a local, ironworkers local.

Q Are you an ironworker?

A By trade, yes.

Q What is the extent of your education, Mr. Sonberg?

A I completed the 8, did half of the 9th.

Q High school?

A Yes.

THE COURT: High school or public school?

Q Public school?

A Public school, yes.

Q Let me direct your attention, Mr. Sonberg, to

Q Do you know whether, Mr. Sonberg, Mr. Corr had purchased American Agronomics both for himself and in his wife's name, Necia Corr, in or about December of 1974 to take control of American Agronomics ? Do you know that?

MR. LESCH: Objection, your Honor. This has nothing to do with this case.

THE COURT: Overruled.

A I know that he purchased it.

Q Do you know how much he purchased, Mr. Sonberg?

MR. LESCH: Same objection.

A I'm not sure.

Q What is your best recollection.

A I think --

MR. LESCH: May I have a continuing objection to this line, your Honor.

THE COURT: Yes.

A The best I calculate would be around 200,000 shares, something like that.

Q So Mr. Corr purchased 200,000 shares of American Agronomics.

How much did you say you purchased with this

$150,000 that Mr. Corr gave you?

MR. LESCH: I object. He hasn't said how many he purchased, nor is it relevant.

Q How much did you purchase, Mr. Sonberg?

MR. LESCH: I have a continuing objection to this, your Honor.

THE COURT: Overruled.

It will be received on the issue of the witness' credibility.

A About 40 some thousand, I believe.

Q You purchased 40 some thousand shares with that $150,000.

Prior to your purchases did you discuss where the stock should be purchased with Mr. Corr?

A I think there was something mentioned about it, to open the account.

Q Where did he tell you to open the account?

A Merrill Lynch.

Q He told you to open an account at Merrill Lynch.

Did he tell you you should buy American Agronomics through Merrill Lynch?

A He didn't tell me, Mr. Sorkin.

Q Did he suggest?

A Suggest.

Q Did he recommend?

A Yes.

Q And you then took the $150,000 that he gave you and purchased American Agronomics?

A Not all through Merrill Lynch.

Q Where else did you go?

A Tucker, Anthony & Day.

Q Had you had an account at Tucker, Anthony & Day prior to the time you had the conversation with Mr. Corr?

A No, sir.

MR. LESCH: Your Honor, I continue to object to this.

THE COURT: I am making the same ruling. I am aware that you are objecting to it.

Q Had you an account at Tucker, Anthony & Day, Mr. Sonberg, prior to the time you spoke to your brother, James Corr?

A No, sir.

Q Did he suggest that you go to Tucker, Anthony & Day and open up an account?

A Yes, sir.

Q Where else did he suggest you open up accounts besides Merrill Lynch and Tucker, Anthony & Day?

A Thomson, McKinnon.

Q Had you had an account at Thomson, McKinnon prior to the time Mr. Corr suggested you open the account there?

A No.

Q Any other accounts where he suggested you open an account?

A No, sir.

Q Now, did you consult with him before you entered the orders to purchase?

A I think I did. I believe I did.

Q On each transaction?

A Not on each transaction, no.

Q Did he give you any instructions as to how much you ought to buy or he thinks you should buy?

A There may have been some conversation to that. I'm not 100 per cent sure on it.

Q Did you use that entire $150,000 for the purchase of one security, American Agronomics, or did you break it up and buy different stocks, some long term investments and some short term investments?

A All in Agronomics.

Q You put it all in American Agronomics?

A Yes.

Q Did you receive the certificates, Mr. Sonberg?

A Yes.

Q They were delivered to your house?

A They were delivered to me personally.

Q You gave them to Mr. Corr?

A Yes.

Q Did he ask you to give them to him?

A No, I asked him to hold them.

* * * *

MR. SORKIN: The Government calls Raymond George Corr.

R A Y M O N D G. C O R R, called as a witness by the Government, being first duly sworn, testified as follows:

MR. SORKIN: May I proceed, your Honor?

THE COURT: Yes.

DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Corr, please keep your voice up so the last juror can hear you.

How old are you, Mr. Corr?

A 28.

Q Are you the half brother of Joseph Sonberg?

A Yes.

Q Are you the brother of the defendant on trial, James E. Corr, III?

A Yes.

Q Mr. Corr, let me direct your attention to June of 1971. Were you employed at the time?

A Yes, sir.

Q In what capacity?

A I was general manager for Makedo 1000 of Florida, Incorporated.

Q What was Makedo 1000?

A It was a chain of self defense schools.

Q What was your position with the schools, sir?

A General manager.

THE COURT: I don't like to interrupt before you proceed. I have an emergency call on a matter. It will take a few minutes. We will interrupt and take the mid-afternoon recess now.

(Recess.)

MR. SORKIN: May I proceed, your Honor?

THE COURT: Please.

BY MR. SORKIN:

Q Mr. Corr, I believe I was asking you, I think you last testified or the last thing you said was that you were the manager of Makedo 1000 schools.

A General manager.

Q My next question I was going to put to you was, what was the Makedo 1000 schools or what were they?

A It was a chain of six self defense schools.

Q Do you know who owned the schools?

A It was a joint venture between Jerome Mackey's Judo, Inc. and Floyd Enterprises of Florida.

Q Now, did there come a time when Floyd Enterprises sold their interest?

Q All right. What did your brother say to you when he contacted you in or about April of 1971 with respect to working for Makedo of Florida, Inc.?

A That he felt that there was an opportunity for me to come over -- come to Florida, St. Petersburg, Florida, of which my family resides, my mother and my other brothers and sister, and that he thought it was a good opportunity, that I should consider coming over to work for Mr. Mackey.

Q Was a salary mentioned, sir?

A Not by my brother, no, sir.

Q What did your brother say about salary, if anything?

A That I would get a much or more than I was at my present job.

Q Did he say that you had to make the agreement with Mr. Mackey, is that right?

A Yes,sir.

Q Was anything else said about your compensation or about moneys that you would receive in this conversation in April or May of 1971?

AFTERNOON SESSION

1:45 p.m.

(In open court, jury present.)

THE COURT: Please call the next witness.

MR. WEINBERG: Call Daniel Salant.

D A N I E L S A L A N T, called as a witness by the Government, being first duly sworn, testified as follows:

MR. WEINBERG: May I proceed, your Honor?

THE COURT: Yes.

DIRECT EXAMINATION

BY MR. WEINBERG:

Q Mr. Salant, please keep your voice up at all times so everybody can hear you.

Where do you reside?

A In Flushing, New York.

Q Mr. Salant, what, if any, understanding do you have with the Government concerning your testimony in this courtroom today?

A The understanding I have is that if I am truthful at all times, I will not be prosecuted.

Q Where are you employed now?

A I'm employed by Bros. Linoleum.

Q Where were you employed during the year 1972?

A I was employed by two firms, Hayden, Stone, and Cohen, Simonson & Ray.

Q What type of work did you do at Haydon, Stone and Cohen, Simonson & Ray?

A I was a stockbroker.

Q Do you know an individual named Richard Sobel?

A In 1968.

Q Did you have a business relationship with Mr. Sobel in 1972?

A Yes, I did.

Q What was the nature of that relationship?

A We were both stockbrokers and we agreed to share commissions.

Q How were you to share commissions?

A The business that we did was to be pooled and the commissions split 50-50.

Q Do you know an individual named James Corr?

A Yes.

Q Have you ever met Mr. Corr?

A Yes.

Q Do you recall where you first met Mr. Corr?

A It was in the apartment of Mr. Stanley Fingerhut.

Q Do you recall the approximate date of that meeting?

A It was in February of 1972.

Q Do you recall who was present at Mr. Fingerhut's apartment?

A Mr. Fingerhut, Mr. Corr, Mr. Sobel and myself.

Q Do you recall what Mr. Corr said to you and what you said to Mr. Corr and what Mr. Sobel said and what Mr. Fingerhut said?

A To the best of my recollection, at the meeting Mr. Corr was telling Mr. Sobel and myself about the company Jerome Mackey. He was telling us of projected earnings for the company, the franchises that they were opening. He indicated that he owned I think 250,000 shares or 200,000 shares.

THE COURT: Shares of what?

THE WITNESS: Of Jerome Mackey stock.

Q Do you recall anything else about that conversation with Mr. Corr?

A That Mr. Sobel and myself were intrigued by the company -- oh, he also told us that it was written up in Barrons.

Q Do you recall anything else?

A No, except that Mr. Sobel and myself were intrigued by the company and we decided we were going to go out and buy stock in Jerome Mackey.

Q Did you tell that to Mr. Corr at that meeting?

A Yes.

Q Did there come a time when you began to buy stock in Jerome Mackey's Judo?

A Yes.

Q Approximately how long after your initial meeting with Mr. Corr did you begin to purchase stock of Jerome Mackey's Judo?

A Within that week.

Q Did there come a time where you began to sell stock of Jerome Mackey's Judo?

A Yes, there did.

Q Between the time that you initially purchased stock of Jerome Mackey's Judo and the time you began to sell stock in Jerome Mackey's Judo, do you recall how much time elapsed, approximately?

A Between a month or two months.

Q During that time period did you have any conversations with Mr. Corr?

A No.

Q Did there come a time when you met with Mr. Corr?

A Yes.

Q Can you tell us approximately when that was?

A I think it was about May of '72.

Q Prior to that meeting did you have a conversation

with Mr. Corr?

A Mr. Sobel had a conversation with him.

Q Did you participate in that conversation?

A I picked up the extension. I listened in.

Q Would you please tell us what Mr. Corr said during that conversation and what Mr. Sobel said?

A In that conversation he wanted to know who the hell was selling his stock.

Q Who said that?

A Mr. Corr.

Q What was Mr. Sobel's response?

A He said that we were selling the stock.

Q Did Mr. Corr respond to that?

A He wanted to know why, and we responded or Mr. Sobel responded that we wanted to sell the stock, the stock we saw start moving down a little bit and we wanted to get out of it.

He invited us to his apartment that night.

Q Did you go to his apartment that night?

A Yes.

Q What was his apartment located?

A On 56th Street.

Q Who was present in Mr. Corr's apartment when you arrived?

A To the best of my recollection, just Mr. Corr.

Q Did you arrive with anybody?

A Mr. Sobel.

Q Did you have a conversation at that time with Mr. Corr?

A Yes.

Q Please tell us what you said, what Mr. Sobel said and what Mr. Corr said.

A He asked us again why we were selling the stock.

It is tough to say what I said or Mr. Sobel said because I can just remember the context of the meeting.

He wanted to know why we were selling the stock.

We told him we had no communication with either him or Fingerhut and we wanted to get out.

He once again repeated to us the facts of Jerome Mackey, that it was a great company, the earnings were going to be 45 cents, they were opening franchises and he told us that he had a handle on the stock.

He showed us transfer sheets showing that he knew which of our customers owned stock in Jerome Mackey and which other people owned stock in Jerome Mackey.

Q Do you recall anything else about that meeting?

A Yes. He offered us an option in the stock.

Q What did he say to you concerning that option?

A He said that if we did sufficient buying, and the amount of buying was never specified, Sobel and I would each have an option to buy 500 shares of stock at $50 a share.

Q What was your response to that offer by Mr. Corr?

A We accepted his offer and continued to buy stock.

MR. LESCH: May we have the words, your Honor?

THE COURT: What did you say?

THE WITNESS: I'm sorry, what?

THE COURT: You say that he offered you an option to buy the shares at $5 a share.

What did you say in response?

THE WITNESS: We accepted his offer -- in response?

THE COURT: Yes.

A The conversation centered about how much buying did he expect us to do. We weren't big stockholders, we didn't have that many accounts. The number of shares remained unspecified.

Q Do you recall if an approximate number of shares were mentioned?

A 10,000.

Q That is your best recollection?

A Yes.

THE COURT: I don't understand. 10,000 shares for what purpose?

THE WITNESS: For what purpose?

THE COURT: You say 10,000 shares were specified. Specified for what purpose?

THE WITNESS: That we would try to accumulate a position of 10,000 shares for our customers' accounts.

* * * *

* * * *

Q Did there come a time in 1973 when you had a conversation with Mr. James Corr concerning Dr.Van Ess' account?

A Yes.

Q Do you recall when that conversation occurr ed?

A It was just about -- it was just prior to the stock being suspended in May of '73.

Q Was anybody else present at this conversation?

A Richard Sobel.

Q Anybody else?

A No.

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Q What did you say, what did Mr. Sobel say and what did Mr. Corr say?

A Specifically I couldn't tell you what anybody said.

Q Do you remember the substance of what was said?

A In substance, Mr. Corr had entered an order to buy stock of Jerome Mackey for Dr. Van Ess' account.

Sobel tried to reach Barry Drayer to get the approval and we couldn't reach Barry Drayer.

So the order was entered to buy Jerome Mackey's stock for Dr.Van Ess' account.

Q Did Mr. Corr say anything when you were unable to get a hold of Mr. Drayer?

A To buy the stock.

Q Mr. Corr said that?

A Yes.

Q Do you recall anything else hesaid?

A No. He indicated that it would be all right with Barry Drayer.

THE COURT: How many shares?

THE WITNESS: I think it was 2000 shares.

Q Did you then put through the order for the 2000 shares for Dr.Van Ess' account?

A Yes.

Q To your knowledge, was that stock paid for at that time?

A No, it wasn't.

Q What, if anything, did you do after the stock was not paid for?

MR. LESCH: I object to this, your Honor.

May I have a bench conference on this, please?

THE COURT: Yes.

(At the bench.)

MR.LESCH: If we are going to have more testimony about wooden tickets, I object to it. I don't think that we have any notice of any such transaction and in my request for a bill of particulars, I asked for all the fraudulent devices and schemes. I don't think this was included in it.

MR. WEINBERG: I have asked Mr. Sorkin to check just that. I believe we did disclose this.

MR. SORKIN: Your Honor, I am looking at the letter dated October 15, 1975, which was written to all defense counsel then in the case. Mr. Lesch is Number 5 on the list. It was written after the motions for the bill of particulars.

I am looking at Paragraph C6, Item 2, the placing of the wooden ticket.

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MR. LESCH: First of all, it refers to additional information which never got, your Honor.

Secondly, I think it is irrelevant to any issue --

THE COURT: I don't understand your first statement. Placing of wooden ticket by Corr and Barry Drayer --

MR. LESCH: The Government does not have the date --

THE COURT: They still don't have the precise date. They fixed it shortly before the suspension of trading.

I will allow it.

MR. LESCH: It is also prejudicial, your Honor.

THE COURT: I take it that all evidence that sustains the Government charges is prejudicial to a defendant. I am not aware that that is an objection.

Justice Learned Hand says that is precisely the reason the Government offers evidence in the case, to sustain its burden of proof.

MR. LESCH: I think it is prejudicial in the sense that we did not have fair warning of this.

THE COURT: YOu have notice under that statement.

MR. SORKIN: Your Honor --

THE COURT: The objection is overruled.

MR. SORKIN: Your Honor, the Government is going to show that there were two orders placed, one was paid for around this time for 2000 shares, the second was not paid for. That is the order that we have disclosed in our bill of particulars.

MR. WEINBERG: I don't want to mislead the Court. It may well be that this order was paid for and that is what Mr.Salant will testify to.

MR. SORKIN: And there was a second order that was not paid for and we feel that we have disclosed it in the letter of October 15 and we will prove it as a similar act.

(In open court)

THE COURT: You may proceed. The objection is overruled.

BY MR. WEINBERG:

MR. WEINBERG: Mr.Reporter, would you read the question back, please?

(Question read.)

A When the stock wasn't paid for --

MR. LESCH: May I just have a continuing objection to this line on the ground that it is irrelevant, incompetent and immaterial.

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THE COURT: The objection is overruled.

A Mr. Sobel tried to get in touch with Barry Drayer because at this point in time we realized even though Barry Drayer had told us he had power of attorney --

MR. LESCH: Move to strike "because we realized" and everything that follows that.

THE COURT: Yes.

Q Just tell us what you did and what you saw somebody else do.

THE COURT: I grant the motion to strike.

A We tried to reach Mr.Barry Drayer.

Q WEre you successful in reaching Mr.Barry Drayer?

A Yes.

Q Did you have a conversation with Mr.Barry Drayer?

A Yes.

Q What did you say to Mr. Barry Drayer and what did he say to you?

A We told -- Mr. Sobel told Mr.Drayer that we did not have a signed power of attorney by Dr. Van Ess.

Q What did Mr. Drayer say?

A Mr.Drayer told us that he would get one. Later in the day he called up and he told us that it was all right, one of us should go out to Dr.Van Ess and he would give

us a power of attorney.

Q Did you go out to see Dr.Van Ess?

A Yes.

Q Did he provide you with a signed power of attorney?

A Yes, I brought out a blank power of attorney for Dr.Van Ess and Dr. Van Ess signed it.

Q To your knowledge, was this stock paid for?

A No.

Q It was not paid for?

A No.

THE COURT: That was even after you obtained the power of attorney?

THE WITNESS: Yes.

MR. LESCH: Again, your Honor, in light of this testimony I renew my motion to strike all of the testimony of this witness about this transaction, that he has just testified that Dr. Van Ess signed a power of attorney at the time of this transaction.

THE COURT: He didn't testify to that at all, at the time of this transaction.

MR. LESCH: Or shortly after the transaction.

THE COURT: That is quite different.

Your motion to strike is denied.

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times while the witness was testifying.

Q Mr. Salant, when did you have your first meeting with a representative of the prosecution's staff or the SEC with respect to Jerome Mackey Judo?

A It was late, 1972.

Q Late 1972?

A Yes, or early -- yes.

Q Who was present at that meeting?

A At that meeting it was at the SEC.

Q What was the name -- was it the SEC here in New York or in Washington, D.C., sir?

A Here in New York.

Q What was the name of the gentleman from the SEC who was asking you questions?

A I don't remember.

Q WAs it a Mr. Filmore?

A I don't know.

Q Mr. Tucker?

A No.

Q And at that time were you asked questions about your conversations with Mr. Corr relating to this case?

A Yes.

Q And were you asked whether there had ever been a payoff to you?

A No.

Q Did you discuss in any way or mention this option that you have testified to today?

A No.

Q When was the next time that you met with the SEC or a member of the prosecution staff with respect to this case?

A It was with the prosecut on staff of this case this year.

Q This year?

A Yes.

Q Was that prior to your grand jury testimony on July 3, 1975?

A Yes.

Q Well, didn't you meet with them on August 2, 1973, a ?

A With this U. S. Attorney?

Q With the U. S. Attorney --

A No.

Q Yes, with the U. S.Attorney.

A No.

Q And with Mr. Filmmore of the SEC?

A I just met with SEC once and it was not in August of --

Q Well, if I show you this document, 3512B, I ask you here, sir, and I point to this date here and I ask you whether that refreshes your recollection that you met with Mr. Filmore on August 2, 1973.

A This might have been the time when I met with him.

Q WAs that in addition to the time in 1972 or was that the only time that you met with Mr. Filmore?

A Then this was theonly time.

Q And at the time that you met with Mr. Filmore, was Mr. Sorkin also present?

A To the best of my recollection, he wasn't.

Q Well, let me --

MR. LESCH: Mr. Sorkin,is 3512C your notes?

MR. SORKIN: I can identify them all. 3512C is Mr. Perlmutter's notes.

Q Do you remember that Mr. Perlmutter was with Mr. Filmore on August 2, 1973, sir?

A I don't remember the names of the gentlemen, no.

Q Do you now remember that there were two gentlemen that were questioning you?

A Yes.

Q At the session that you had?

A Yes.

Q Were you asked about the events and transactions relating to our conversations -- withdrawn.

Were you asked about your meetings and conversations with James Corr?

A Yes.

Q Did you at that time mention anything about an option?

A No.

Q And was there another time when you met again with a representative of the prosectuion staff or the SEC concerning Jerome Mackey Judo?

A Yes.

Q When was that, sir?

A That was this year.

Q How many times did you meet this year?

A I'd say approximately three times.

Q You met with Mr. Sorkin, did you not, sir, in July and again in November of this year?

A Yes.

MR. SORKIN: Excuse me, Mr. Lesch. Just to clear up the record, 35E is Mr.Weinberg's notes; D is mine. I just want to make the record clear.

Q Does that help you out, that you met with Mr.

Sorkin in July and you met with Mr.Weinberg in November?

A Yes.

Q And it was in July in your meeting with Mr. Sorkin that you first mentioned this option, is that right, sir?

A Yes.

Q Now, in this meeting in July with Mr. Sorkin, you knew that Jerome Mackey Judo was being investigated by the United States Attorney's office?

A That is correct.

Q And didyou also know, sir, that you were a target of the investigation?

A Yes,I did.

Q Did you also know that you were in danger of being indicted by the United States Attorney's office?

A At that time?

Q Yes,sir.

A Yes.

Q Did you have an attorney at that time, sir?

A I did.

Q And did you know at that time the best way to avoid being indicted was to help the United States Attorney's office in making a case in connection with Jerome Mackey Judo, giving them a piece of valuable information?

A At that time?

Q Yes,sir.

A I followed the advice of my counsel which was to be truthful and not to withhold anything.

Q Did you in following your counsel's advice as you say, did you know at that time that the best way for you to avoid an indictment was to give Mr. Sorkin a piece of information that he could use against Mr. Corr?

A No.

Q YOu had no knowledge of that?

A No.

Q Now, your participation in these events relating to Jerome Mackey Judo is very much the same as Mr.Sobel's, isn't it?

A Yes.

Q You and Mr. Sobel were partners throughout this entire series of events, isn't that right?

A That's correct.

Q The very first time you spoke to Mr.Corr, one of you spoke to Mr. Corr and the other one was listening in, isn't that right?

A Right.

Q And almost every single meeting you had with Mr. Corr, the other one was present?

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A Yes.

Q And Mr. Sobel was indicted as a defendant in this case, is that correct, sir?

A That's correct.

Q And you were not indicted as a defendant in this case, is that correct, sir?

A That is also correct.

Q Now, to what do you attribute this difference in treatment between yourself and your partner?

A I don't know.

Q You have no knowledge?

A No.

Q Well, could it possibly be, sir, that the reason that you were not indicted and that Mr.Sobel was indicted was that you were the one who first testified to an alleged option?

A I don't think so, because we both had the same lawyer at the time.

Q I see. Is it not also true,sir, that Mr. Sobel has pleaded guilty in this case as far as you know?

A Yes.

Q And he is going to be sentenced in January or February of this year?

A Yes.

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Q And that you have not pleaded guilty to anything?

A Correct.

Q Because you have never been named as a defendant in a criminal case?

A Right.

Q Now I put it to you, sir, were you telling the truth abou thatoption?

A Yes.

Q Do you know that no other broker has testified in this case that you received an option?

MR.WEINBERG: I object.

THE COURT: Objection sustained. It doesn't make any difference what anyone else testified. He is testifying to events he says transpired.

Q Have you heard that Mr. Corr offered anyone anything of value to sell or participate -- or to get purchaeers in Jerome Mackey Judo stock?

MR.WEINBERG: I object, your Honor.

THE COURT: Objection sustained.

Q Did you hear in the years 1972 and 1973 that Mr. Corr had offered such an option to anyone else?

A No.

Q You were the only one, you and Mr. Sobel, is

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that right; sir?

A You are asking me a question if I am theonly one that got an option.

Q As far as you know.

A As far as I know, yes.

Q Did you have many clients back in 1972?

A No.

Q Did you have any clients?

A Yes.

Q ABout how many did you have?

A 25 to 50.

* * * *

THE COURT: No, there is no need for it.

MR. BELL: I have no further questions.

THE COURT: You can all other witnesses on that when the defense case is presented.

MR. SORKIN: I have one other question.

REDIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Lesch asked you if Mr.Corr ordered you to buy the stock and you said you didn't.

A Yes.

Q Did he ask you to go to Sterling, Grace and buy the stock as a favor to help him make a market for the stock of Jerome Mackey?

A Yes, sir.

MR. SORKIN: I have no further questions.

Government calls Mr. Richard Sobel.

(Witness excused.)

R I C H A R D J O E L S O B E L, called as a witness by the Government, being first duly sworn, was examined and testified as follows:

MR. SORKIN: May I proceed, your Honor?

THE COURT: Yes.

DIRECT EXAMINATION BY MR. SORKIN:

Q Mr. Sobel, sir, let me remind you to please keep

your voice up. All the jurors have to hear you.

Mr. Sobel, how old are you?

A Thirty-five years of age.

Q Are you employed?

A Yes, I am.

Q In what capacity?

A I am a salesman for the Equitable Stationery Company.

Q Are you a named defendant in this case, United States vs. James E. Corr, et al?

A Yes, I am.

Q Have you pleaded guilty to a crime in this case?

A Yes, I have.

Q What was the crime that you pleaded guilty to?

A Securities fraud.

Q Let me show you now, Mr. Sobel, what has previously been marked as Government Exhibit 37. I believe all counsel have a copy.

MR. SORKIN: I will serve another copy on counsel and a copy to the Court.

Q Would you look at Government Exhibit 37, Mr. Sobel, and I ask you, sir, if prior to your plea of guilty you entered into an agreement with the United States Government and if so, is that the agreement thatyou entered into?

A Yes, it is.

Q Is that your signature?

A Yes, it is.

MR. SORKIN: I offer 37 in evidence.

MR. LESCH: No objection.

xxx (Government Exhibit 37 was received in evidence.)

MR. SORKIN: With the Court's permission, I would like to read it to the jury.

(Mr. Sorkin read from Government Exhibit 37 in evidence to the jury.)

Q Mr. Sobel, were you employed during the year 1972?

A Yes, I was.

Q Let's take the first approximately five months, would you tell us where you were employed?

A CBWI-Hayden, Stone -- first five months CBWI and Cohen, Simonson.

Q When did yougo to Cohen, Simonson?

A May 15, 1972.

Q In what capacity were you employed at CBWI and Hayden,Stone?

A Registered representative.

Q Were they members of the New York StockExchange

at the time?

A Yes, they were.

Q Have you ever heard of the following people, Michael Zelkin, Arnold Beau Baker, Elaine Kaufman and Jack Occhigrosso?

A Yes, I have.

Q Who were they?

A They were all customers of mine at CBWI and Hayden Stone, and Cohen,Simonson.

Q Do you know a gentleman by the name of Daniel Salant?

A Yes. He was my partner when we were at CBWI and Cohen,Simonson.

Q Partners in what?

A We were brokers who shared on all commissions on everything either one of us did, a 50-50 commission.

Q Now, sir, did you then go over to Mr. Corr's apartment after the phone call?

A Yes.

Q Was anyone with you?

A Danny Salant.

Q When you arrived at the apartment, was anyone there other than Mr. Corr?

A Just his chauffeur or whatever he was there.

Q Do you remember the chauffeur's name?

A I think it was Ed Maynsfield.

Q Did you have a conversation with Mr. Corr?

A Yes, I did.

Q Tell us, please, what, if anything, you said, Mr. Corr said, and Mr. Salant said?

MR. LESCH: Do we have a time established for this?

Q Can you tell us when that was, sir?

A It was before May 15th. I don't know exactly the date. It was somewhere before May 15th.

Q How much prior to May 15th?

A I don't recall. A week or two weeks, I am not sure.

Q Tell us, please, what you said, what Mr. Corr said and what Mr. Salant said and the chauffeur, if anything?

A No, the chauffeur left.

Q Go ahead, what was said?

A We came in there and we both started asking, I told him I could not get in touch with Stanley and I didn't know what was going on and the stock had dropped a little bit and it was actually Danny's customer that sold out. I didn't sell out. Not one of my customers but one of Danny's customers.

Mr. Corr then said to us, well, from now on, get in touch with me because I know everything about the company. And if you wanted to know anything about the company, Stanley is into one of his crazy fits, I don't know if that is the exact terminology but Stanley has disappeared again and cannot be reached and I will handle all situations there.

Q Did Mr. Corr say anything else?

A Yes, he did.

He then offered Danny Salant and myself 500 share option -- each of us --

MR. LESCH: May we have as best the witness can recall.

THE COURT: What is your best recollection as to what he said?

THE WITNESS: That is it.

Q The exact words that Mr. Corr used.

A He asked Danny Salant and I if we -- I don't remember the exact words.

Q As close as you can possibly get.

A He offered us 500 shares each, an option at $5 a share if we would purchase retail stock in excess of 5,000 shares.

Q Anything else that you recall Mr. Corr saying?

A Not right then, no.

Q What, if anything, did you and Mr. Salant say, if anything?

A Nothing at that particular time.

* * * *

* * * *

Q Now, did there come a time, Mr. Sobel, when another order for 2000 shares was placed through you for the account of Dr. VanEss?

A Yes.

Q Do you recall how much stock was purchased?

A 2000 shares.

Q Do you recall when?

A I do not know. It was after this order, I don't remember the exact date.

MR. SORKIN: Mr.Bell, do you have Drayer Exhib it -- I don't think it was offered in evidence but if you have no objection I would like to offer it in evidence.

MR. BELL: I thought I had.

MR. SORKIN: This is Drayer Exhibit D. We offer Drayer Exhibit D in evidence. I don't think it

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was offered yet. It was shown to the prior witness Salant, and it was not offered.

THE COURT: Any objection.

MR. LESCH: No objection.

MR. BELL: No objection.

xxx (Defendant Drayer Exhibit D was received in evidence.)

Q Looking at Defendant Drayer Exhibit D, could you tell us, please, the date of the first transaction, for 2000 shares?

MR. BELL: Sir, you asked the trade date or --

MR. SORKIN: I was getting to that.

Q What does the date reflect, the trade date or the settlement date?

A It says the trade date. It says "bought-received, 4/26."

Q Is that the settlement date or trade date?

A I don't know if it is settlement date or trade date. I forgot now.

Q When is the next statement?

A 4/27 -- excuse me, 5/14.

Q Now, with respect to the second transaction, Mr. Sobel, could you tell us, please, who placed the order?

A Mr. Corr.

Q Mr. James Corr?

A Yes.

Q Did Mr.Drayer at any time say that Mr. Corr had authority to place orders for Dr.Van Ess?

A No, he did not.

Q You took the order from Mr. Corr?

A Yes, I did.

Q What if anything did Mr. Corr say to you and what did you say to him when he placed the order?

A Mr. Corr said buy 2000 shares of Jerome Mackey for Dr. Lester Van Ess.

Q What if anything did you say?

A I didn't say anything. I put the order in.

Q At the time Mr. Corr placed that order and you put the order in, was there a power of attorney on file at CBWL-Hayden Stone for Dr. Van Ess?

A No,sir.

Q Was that 2000 shares, to your knowledge, paid for?

A It wasn't when I left Hayden, Stone.

Q Now, was there -- what were the mechanics of payment on that 2000 shares?

A Delivery versus payment, same account, it operates the same way.

Q Have you ever heard the term "D.K."

A Yes, I have.

Q Was that stock D. K'd?

A Yes, it was.

Q After it was D.K'd, did you have a conversation with Mr.Drayer or Mr. Corr?

A To both of them.

Q Well, whom did you speak to first?

A The night I bought the second lot of 2000 shares, I called Mr.Drayer at home.

Q Barry Drayer?

A Barry Drayer. I told him Jimmy had placed an order for 2000 shares through me for Dr. Lester VanEss, was it okay, and Mr.Drayer said yes.

Q Now, after it was D.K'd, did you speak to Mr. Barry Drayer?

A Sure, I asked him who was paying for the stock and what was going on here.

Q What if anything did Mr.Drayer say?

A He said that he and Mr.Corr were involved in certain situations and it will be paid for.

Q Did you subsequently speak to Mr. Corr?

A I spoke to both of them constantly because Hayden, Stone made me.

Q What did Mr. Corr say, if anything?

A It was Dr. Lester Van Ess' account and he has to pay for it.

Q Did you ask Mr. Corr if he was going to pay for it?

A Directly, no.

Q Now did there come a time when you went out to visit Dr.Van Ess?

A No, sir.

Q Do you know if someone did?

A Yes.

Q Who was that?

A My partner, Dan Salant.

* * * *

Q Sir, I believe that you have testified about a conversation with Mr.Corr and Mr.Salant relating to an option.

A Yes, sir.

nd 2A

Q When did that conversation take place?

A I don't remember the exact date, but it was in -- before I left Hayden, Stone the first time, which is before May 15, 1972.

Q Sir, how many times have you been questioned by the Securities and Exchange Commission or the Prosecutor's office with respect to this case?

A Once by the Securities and Exchange Commission.

Q When was that?

A I don't recall the date. That was -- it had to be after April of 1973 because I was back at Hayden, Stone again.

Q Would you say it was in the first half of 1973, sir?

A I think so. I went back to Hayden, Stone in April, so it was sometime after April. I don't know if it was April, my --

Q You don't know if it was the first half or the second half of 1973?

A I don't remember, no.

Q What was the name of the gentleman at the SEC who asked you those questions?

A I forgot his name.

Q Was it Mr. Filmore?

A There was a Mr. Filmore there.

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Q Mr. Frankheimer? Were you accompanied by an attorney?

A Yes, I was.

MR. SORKIN: I believe that is Frankhauser.

Q Frankhauser, what is that, your attorney?

A He is Hayden, Stone's attorney.

Q If I show you these notes, sir, with the names Sobel and Frankhauser on here and a date, does that refresh your recollection as to the date that you were at the SEC?

A If this is the notes that were taken at the testimony, yes.

MR. SORKIN: Mr. Lesch, can you just identify the 3500 number on that, please?

MR. LESCH: This is 3516-A crossed out and then there is a B put on.

MR. SORKIN: It should be B, yes, B.

Q Does that refresh your recollection, looking at that, sir, that the meeting with the SEC people was on August 2, 1973?

A Yes, it does.

Q At that meeting, sir, did you mention anything about an option?

A No, sir.

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Q Thereafter, did you have a meeting with the staff of the prosecution in this case?

A Right after that or --

Q After that.

A I had some meetings and I went with my lawyer and I didn't say anything.

Q You had some meetings where you didn't say anything?

A Right.

Q And then did there come a time, sir, when you had a meeting and you did say something?

A After I was indicted, yes.

Q After you were indicted?

A Yes.

Q So the only time that you answered any questions prior to the time of your indictment was on August 21, 1973 at the SEC, is that right?

A I'm sorry. Could you repeat that?

Q So the only time that you answered any questions by the prosecution or by the Securities and Exchange Commission was on that one occasion on August 2, 1973?

A Yes.

Q Then the indictment came down.

Did you have a conversation with Mr. Sobel at that

time, sir, when the indictment came?

A I'm Mr. Sobel.

Q With Mr. Salant.

A Did I have a conversation with him?

Q Yes, sir.

A I spoke to him -- after the indictment now? I'm sorry.

Q After the indictment, right.

A After the indictment?

Q Yes.

A I spoke to Salant, but nothing about the case.

Q Did you mention to Mr. Salant the fact that you had been indicted and that he had not been indicted?

A Yes, I did.

Q Did you say that you found that rather surprising, that you had been indicted and that he hadn't?

A Yes.

Q Because, after all, it was true, was it not, sir, that you and Salant had done everything together throughout this whole case; isn't that right?

A That is correct.

Q You were partners from the very beginning, isn't that right? You have to say yes because the reporter can't catch a nod of your head.

A Yes.

Q Indeed, when you picked up the telephone he picked up the telephone; isn't that right?

A Sometimes.

MR. SORKIN: Your Honor, I object. I think it is the grand jury's decision as to who should be indicted.

THE COURT: I will instruct the jury in my formal charge with respect to matters that are now being inquired into as to persons who were not named as defendants and persons who are named and the rest.

MR. LESCH: I object to the prosecutor's remark that it is in the grand jury's decision, espectially in the light of testimony in this case about promises.

THE COURT: I will instruct the jury now.

It is a matter for a grand jury to determine.

MR. LESCH: On the recommendation --

THE COURT: With the advice of the prosecutor. I will tell the jury now, as long as an issue is raised about it, that the jury may draw no inference from the fact that persons were named as defendants and others were not named as defendants.

MR. LESCH: I respectfully except to that.

THE COURT: You may except.

Q After the indictment came down did you have a

conversation with Mr. Salant in which you told him in words or in substance that you found it rather surprising that you had been indicted as a defendant and that he had not been indicted?

A Yes, I did.

Q Did he tell you in words or in substance that the reason that you had been indicted and he hadn't was because he had testified about an option?

A No, he did not say it. He did not say that.

BY MR. LESCH:

Q Did there come a time when you heard that?

MR. SORKIN: Your Honor, again I am going to object. I don't see the relevance.

THE COURT: Let him finish his question, please.

MR. LESCH: That is my question, did there come a time when you heard that.

THE COURT: Objection sustained.

Q Did there come a time, sir, when it came to your attention or your understanding the reason that Mr. Salant had not been indicted as a defendant and the reason you had been indicted as a defendant was that Mr. Salant had said to the grand jury that Mr. Corr had offered you an option?

A I only assume that.

MR. SORKIN: Mr. Sobel, let me make my objection and let the Court rule.

THE COURT: Objection sustained.

MR. LESCH: Your Honor, may I approach the bench on this.

THE COURT: No, it is perfectly clear what you are inquiring into. There is no need for a side bar conference.

Q Did your lawyer ever tell you that that was the reason, sir?

MR. SORKIN: Objection, your Honor.

THE COURT: Objection sustained.

Q Well, as you sit here today, is that your understanding that you were named as a defendant?

MR. SORKIN: Objection.

THE COURT: I hold this witness' understanding as to why he is a defendant in this case is not a proper question and please refrain from this area of inquiry. The grand jury makes the determination as to whom to indict and whom not to indict. This witness' understanding has nothing to do with it. I foreclose any inquiry into it. Please proceed to another subject. Your exception is noted.

* * * *

JOHN COYNE, called as a witness by the Government, being first duly sworn, testified as follows:

MR. SORKIN: May I proceed, your Honor?

THE COURT: Yes.

DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Coyne, let me remind you to please keep your voice up because all the jurors have to hear you.

How old are you, sir?

A I am 34 years of age.

Q Are you presently employed?

A Yes, I am.

Q In what capacity?

A I am a vice-president of sales in a furniture corporation uptown New York.

Q Now, sir, did you plead guilty to a crime?

A I did.

Q In the Southern District of New York?

A I did.

Q Prior to your testimony today, did you enter into an agreement or understanding with the United States Government?

A I did.

Q Let me show you now, Mr. Coyne, what has previously been marked as Government's Exhibit No. 122.

MR. SORKIN: I serve defense counsel and I serve a copy to the Court.

Q Would you look at 122, Mr. Coyne, and I ask you, sir, if you can identify that?

A I can.

Q Tell us, please, what it is?

A It is an agreement I entered with the Government pertaining to my guilty plea for a charge of embezzlement committed back in 1971.

Q Is that your signature on the third page, sir?

A It is.

Q Is that your attorney's signature?

A It is.

MR. SORKIN: We offer 122 in evidence, your Honor.

MR. LESCH: No objection.

(Government's Exhibit 122 received in evidence.)

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Q By the way, Mr. Coyne, did you plead guilty before Judge Weinfeld or another Judge?

A Before Judge Ward.

MR. SORKIN: With the Court's permission I would like to read it to the jury.

(Government's Exhibit 122 read to the jury by Mr. Sorkin.)

* * * *

Q Mr. Coyne, staying with the subject you just mentioned, did there come a time where Mr. Corr came to you and requested a loan from the bank?

A There was a time when he needed an additional $40,000 for transaction of stock of Jerome Mackey. I believe that was in the early part of September 1972.

Q Did you have a conversation with him at that time?

A I did.

Q Where?

A In the bank, my office.

Q Was anyone else present?

A To the best of my knowledge Mr. Smith was present and I believe Mr. Goldfarb was present.

Q Tell us, please, the conversation?

A The conversation pertaining to a need for a loan in the name of Mr. Corr for $40,000 additionally from his line of credit that was established when he first came in the bank. I believe that was in the realm of $45,000, $50,000. At the time the loan was granted by the president

and worked through my office and into our operating departments. He needed an additional $40,000 for a transaction pertaining to some stocks to be delivered in from Jerome Mackey.

Q You mean Jerome Mackey stock?

A Jerome Mackey stock. What I recollect was, I discussed it with Mr. Smith and we couldn't accommodate him at that time directly to himself because of two reasons:

One, he would overgo the line of credit which we then have to be referred to the loan administration board of the bank and, two we were under examination by the state government for the normal fiscal examination of the bank and therefore we didn't want to create any further problems that may develop through the transaction of his account.

Q Go ahead --

MR. LESCH: May we have the answer read back?

THE COURT: Read the answer back.

(Record read.)

Q Tell us the rest of the conversation?

A After discussing with Mr. Smith and Mr. Corr what was at that time told him, we couldn't accommodate him but it is possible if he had other people, we could possibly work the relationship through them temporarily

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being it was only going to be a short term loan. The loan requested was I believe less than 30 days.

Q Go ahead. What, if anything, did Mr. Corr say?

A At that time Mr. Corr said he would see what he could do, and he came back at a later date and said he could work these situations through his former wife and a friend of his, one being Keogh and the other Sonberg.

Q Now, sir. let me show you, Mr. Coyne, what has previously been marked as Government's Exhibit 40 in evidence, and I ask you, sir, is this the loan application that Mr. Corr submitted to you for $20,000 of the $40,000 loan?

A This is a purpose statement, Regulation U --

MR. LESCH: I object to the form of the question, your Honor. He said is this the loan application that was submitted to you, by Mr. Corr. That is one of the key issues in the case and he tries to do it in this manner.

THE COURT: I don't know the occasion for the excitement if you have an objection to the question.

MR. LESCH: I will be happy to tell your Honor at the side bar.

THE COURT: No --

Q Will you identify the document?

A Regulation U. Statement, a purpose statement filled out by the account, the person borrowing the money

and stipulates the purpose for which he is borrowing the funds. It also stipulates the bank and the stocks that are securing the loan.

Q Sir, when for the first time did you see this document filled out as it is in the form that it is?

A It was brought into my office, I believe, the date according to this, where I signed, the 14th of September 1972.

Q Is that your signature at the bottom?

A It is.

Q Did you receive it from anyone?

A I received it from Mr. Corr.

Q Did you give it to him in blank?

A I did.

Q When did you receive it from him?

A I received it on September 14, 1972.

Q Sir, did you see anyone sign the name Kathleen Keogh?

A I didn't.

Q To your knowledge, sir, was the $20,000 extended to Mr. Corr?

A Extended to the account of Kathleen Keogh and then a letter was issued by Kathleen Keogh authorizing the bank to transfer the proceeds of that loan to the account

of Mr. Corr.

Q Did Kathleen Keogh have an account at the bank?

A No, she didn't.

Q How could it then be issued to the account of Kathleen Keogh?

A Actually the loan was made -- you are not necessarily required to have an account in the bank to actually receive the proceeds of a loan. When we received the letter from Kathleen Keogh through Mr. Corr, we then took the proceeds and applied it directly to the account of Mr. Corr.

Q Now, sir, you indicated that the loan was to be $40,000.

A Originally it was to be $40,000. When we discussed it at that time saying we couldn't accommodate him, did he have somebody else that we could make smaller amounts to; he said he did, his former wife Kathleen Keogh and Sonberg, and we would make a loan of $20,000 each.

Q Was a loan of $20,000 extended to a person by the name of Joseph Sonberg?

A It was.

Q Where was that money credited, if you know?

A The proceeds were applied for the name of Mr. Sonberg, with a letter received from Mr. Sonberg authorizing to transfer it to the account of James Corr, III.

* * * *

BY MR. SORKIN:

Q Mr. Coyne, would you look at Government's Exhibits 41 and 44 already received in evidence and would you identify those please?

A 41 is a loan application made up by our Loan Department in the name of Kathleen M. Keogh.

It has no account. It was care of James Corr, III.

Q What is the address?

A 400 East 56th Street, New York. The amount requested was $20,000. Collateral was two 4,000 shares of Jerome Mackey's Judo at $10 per share.

Q Sir, without reading it, is that document an internal application for the bank?

A It is.

Q Would you look at 44, please.

A This is a regulation form that's an internal form also. It states to the customer the actual charges, the amount of the loan, rebate, and interest he is paying.

Q Did you observe any person sign the name Kathleen Keogh at the bottom of 44?

A I didn't.

Q Do you know who signed it?

A Kathleen Keogh signed it.

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Q Someone signed it or --

A When it was presented to me it was already signed.

Q Do you know who signed it?

A No, I do not.

Q Who presented it to you, sir?

A Mr. Corr.

Q Let me show you what has previously been marked as Government's Exhibit 66 and I ask you, sir, what 66 is.

It is already received in evidence.

A 66 was a letter typed to my attention, at the Underwriters Bank and Trust Company, 50 Broadway Office, from Kathleen Keogh, authorizing the proceeds of personal loan in the amount of 20,000 be applied or credited to the account of James E. Corr, III.

jpe Q From whom did you receive that document?

A Mr. Corr.

Q Do you know who signed the name Kathleen M. Keogh on that?

A I do not.

* * * *

Q Mr. Coyne, you testified earlier that you were indicted. Do you remember that, sir?

A Yes, I did.

Q And that you pleaded guilty?

A Yes, I did.

Q And that you pleaded guilty to the crime of embezzlement?

A That is correct.

Q That was with the Franklin Bank, is that right, sir?

A That is correct.

Q You were an employee of the Franklin Bank at the time you embezzled money?

A That is correct.

Q Did it have anything to do with Mr. Corr?

A It had nothing to do with Mr. Corr.

Q He didn't suggest it to you?

A No.

Q Did you know Mr. Corr at the time you embezzled these funds?

A I didn't.

Q You embezzled $25,000, is that right, sir?

A That is correct.

Q Will you tell us, sir, whether you embezzled the money by making false records in the Franklin Bank?

A I falsified expense accounts; I falsified forms of that nature.

Q There were no expenses and you filled out forms and said they had been incurred? Tell us about it.

A I would dummy up the expense reports.

Q How would you dummy up the expense reports?

A Very simply. You make statements on the form submitted by the bank and you would inflate it.

Q For example? Give me an example of the type of expense you would dummy up?

A To be very frank, we had a Christmas party every year so therefore for the officers and members of the bank, and they would participate in chipping in a small amount and whatever the difference would be, in most cases it was large, we would take the amount, overage amount and falsify the expenditure to the bank itself and charge the bank

where the bank was not permitted to pay for it, and there would be the bill and that is what we would be falsifying.

Q You would have to go slower. I didn't understand. You had a Christmas party?

A Like you collect lest's say $500 --

Q $500 for the Christmas party and that is to pay the expenses.

MR. SORKIN: Objection, your Honor. He has admitted the crime. The details --

THE COURT: The details don't make any difference and we --

MR. LESCH: Your Honor --

THE COURT: We are not going into details of the other crime. You have this witness'acknowledgment that he pled guilty, was found guilty to the other crime. We don't try the details of that in this case. I have allowed your questioning beyond to what you are entitled to under the law.

Q What type of record did you falsify, sir, at the Franklin National Bank? Did it have a name?

A Expense accounts.

Q Was it expense account voucher, expense account card, expense account ledge? What was it called?

A Expense account.

Q Expense account what?

A General expense account for the branch.

Q Was that on the general ledger, general expense account?

A Every account of the bank is on the general ledger.

Q Is that where you did the falsification?

A Yes, I did.

Q Tell us what it said on the bank's general ledger before it was falsified?

MR. SORKIN: Your Honor --

THE COURT: The objection is sustained.

MR. LESCH: May I be heard at the side bar?

THE COURT: I know precisely what the purpose is and I have allowed your inquiry beyond what is required.

We are not trying the other case.

MR. LESCH: I'm not attempting to try the other case.

THE COURT: Go ahead.

Q You put down false information on the bank record, the Franklin National Bank to conceal the fact that you had stolen $25,000, is that right, sir?

A That is correct.

Q You didn't you do the same thing in this case? You put down false information on a regulation U statement to conceal the fact that you had participated in an illegal loan to Mr. Corr?

A I didn't put it down.

Q You had nothing to do with it, right.

A No, sir.

Q Nothing to do with it.

A I didn't write down the application. I gave those applications in blank. They were returned to me by Mr. Corr and processed by my office.

Q But you suggested to Mr. Corr --

A I didn't suggest --

Q --to Mr. Corr to put down false information?

A I didn't suggest to Mr. Corr to do exactly that.

I said to Mr. Corr, when we could not accommodate him, could he get other people to use the loan, other names, and he stipulated he could and I gave him the blank forms that were returned to my office by Mr. Corr and they were filled out.

I don't know who put the contents in them, who signed them or what.

Q Didn't you know, haven't you testified here this morning that you knew that the loans were going to be taken out in the names of Sonberg and Keogh because Mr. Smith had reached his lending limit on loans to Mr. Corr?

THE COURT: He didn't say that he knew they were going to be taken out in the names of Sonberg and Keogh.

He said that he suggested to Mr. Corr that applications for loans could be made in the names of other persons.

Is that correct?

THE WITNESS: That's correct.

THE COURT: And did you assume when the applica-

tions came in, they would be genuine applications in the names of other persons?

THE WITNESS: That's correct.

THE COURT: Stick to the issue in the case, under the charge or put any further questions you have on it.

Q Mr. Coyne, when his Honor said "genuine applications" that suggests to you, does it not, that the persons who were making the loan applications were going to get the proceeds of the loan?

A The loans, the proceeds in my estimation would be going to these people and then directed to Mr. Corr's account through these people.

Q Yes. So, you knew that although Kathleen Keogh was submitting a loan application the proceeds of the loan were supposed to go to Mr. Corr?

A Right, I knew that.

Q Now, is that genuine, sir?

A That is genuine.

Q Genuine what?

A Genuine money the money was going to go to Mr. Corr.

Q Was there a depositor at the Underwriters Trust Company by the name of Goldfarb?

A Leroy Goldfarb, yes, at that time. I don't know

if there is now.

Q Mr. Goldfarb was heavily in debt to the Underwriters Bank and Trust Company, sir.

A He had a loan at the bank.

Q What was the amount of his loan?

MR. SORKIN: Objection, your Honor.

What does Mr. Goldfarb --

THE COURT: Sustained.

MR. LESCH: May I approach the bench.

THE COURT: Yes.

(At the side bar.)

MR. LESCH: Your Honor, I understand from the material that I have obtained from the Government that Mrs. Gene Goldfarb is going to come in to this court and testify that she wrote the name Kathleen Keogh on these application forms at the direction of James Corr.

Now, what I think happened is something else. I think the two Goldfarbs and this fellow were in cahoots and that's what I'm trying to establish; that really Gene Goldfarb did it at the request of her own husband.

And, I have nothing to go on because I have one piece of paper --

THE COURT: I am not going to allow you to free-wheel on this thing as you have been doing in a number of

areas.

MR. SORKIN: That's totally inconsistent of what this man testified to.

MR. LESCH: I say he's a liar.

THE COURT: That's your statement. There is no testimony here as to Goldfarb.

MR. LESCH: Your Honor, I sincerely urge your Honor to allow me to go into this inquiry which relates -- it is the only way I can inquire into the testimony of --

THE COURT: What do you want to --

MR. LESCH: I want to find out what the relationship of the Underwriters Bank to the Goldfarb was.

THE COURT: If that is your purpose, I will sustain the objection.

MR. LESCH: In the light of the testimony that is going to be adduced from Gene Goldfarb.

THE COURT: I don't know what testimony is going to be adduced.

MR. SORKIN: The fact is that the money went into Mr. Corr's account. Are you saying you didn't know it went into his account?

MR. LESCH: What I am saying is, your Honor, that this false loan application was made and when this man saw there was an examination going on at the Underwriters

Trust and Company and he didn't have a regulation U statement and he needed one, he called in Goldfarb; Goldfarb got his wife to --

THE COURT: I will let you ask that question.

MR. LESCH: Your Honor, if I do it directly I will not get anywhere.

THE COURT: You have gotten as much leeway as anybody has gotten. It is getting to the point of absurdity and you are distorting the actual issue under the count of the indictment.

MR. LESCH: May I inquire into the relationship? I will do it as quickly as possible, into the relationship between Goldfarb and the Underwriter's Bank. It is very important to my case.

MR. SORKIN: It has absolutely nothing to do with count 34.

THE COURT: You can ask him whether or not he received it in that manner. He has testified how he got it.

MR. LESCH: Your Honor, I --

THE COURT: You are not going to run for miles on this. It has to come to an end.

MR. LESCH: Your Honor is running the courtroom, not me. I respectfully --

THE COURT: You may state your exception. I

told you what you can do. If you don't want to do it, don't do it. It has nothing to do with the charge.

MR. LESCH: It does, your Honor.

THE COURT: I said what I have allowed you to do. You are certainly not entitled to ask those questions on the basis of what this witness has testified to either on direct or cross.

MR. LESCH: Your Honor, shall I call him back later?

THE COURT: You do what you want, please.

(In open court.)

BY MR. LESCH:

Q How long have you known Mr. Goldfarb in September of 1972?

A I had met Mr. Goldfarb through Mr. Smith in, I believe it was December of '71.

Q Then did you have a conversation with Mr. Goldfarb with respect to these loans to Keogh and Sonberg?

A Not to my knowledge, not that I recollect.

Q Never? Is that your testimony, you have never talked to Goldfarb about these loans to --

A To the best of my knowledge Leroy Goldfarb was always around when Mr. Corr was around.

He could have been in the office that day and

may not. I don't know. Mr. Goldfarb was the one who brought Mr. Corr in to the bank.

Q Did you tell Mr. Goldfarb in or about the fall of 1972, that you didn't have the proper regulation U statement for this loan?

A I didn't.

Q And that you needed his help on that?

A I didn't.

Q How much money did Mr. Goldfarb owe to the bank at that time?

A I couldn't --

MR. SORKIN: Your Honor, again I object.

THE COURT: Objection sustained.

* * * *

hpe 1 J. Goldfarb - direct

MR. SORKIN: The Government calls Jean Goldfarb.

xx J E A N G O L D F A R B, called as a witness by the Government, having been first duly sworn by the Clerk of the Court, testified as follows:

MR. SORKIN: May I proceed, your Honor.

THE COURT: Yes.

xx DIRECT EXAMINATION

BY MR. SORKIN:

Q It is Mrs. Goldfarb, is that correct?

A That's correct.

Q Would you give your voice up, Mrs. Goldfarb, so Mr. Bergman, the last juror, can hear you, please?

A Okay.

Q Mrs. Goldfarb, are you married to a gentleman by the name of Leroy Goldfarb?

A Yes, I am.

Q How long have you been so married?

A Nine years.

Q Are you employed?

A Yes, I am presently employed.

I just started working a week ago.

Q At what firm?

A At Loeb, Rhodes.

Q Are you a registered representative?

A Not at present.

Q Have you ever been registered?

A Yes, I have been.

Q Where were you registered, madam?

A Last, or --

Q The last time you were registered?

A I was last registered briefly at Hartzmark & Co., in 1973.

Q And prior to that time?

A Prior to that time with Morgan, Stearn Securities. That was NASD, not a member firm.

Q By that you mean --

A Not a member of the New York Stock Exchange.

Q When did you first become registered?

A If I recall, I first became registered at the end of 1968, early in 1969.

Q Mrs. Goldfarb, do you know a gentleman by the name of James E. Corr, III?

A Yes, I do.

Q Do you see him in the courtroom today?

A Yes, I do.

Q Would you identify him, please?

A He is the gentleman sitting at that table.

MR. LESCH: Stipulated.

A Is that sufficient?

Q It has been stipulated, yes.

Mrs. Goldfarb, when did you meet Mr. Corr for the first time?

A I guess I probably met Mr. Corr, to the best of my recollection, for the first time in the fall of 1971.

Q Where did you meet him?

A If I recall, he had come up from Florida. He was staying at a hotel in Central South Park, the Essex or Hampshire House or something.

Q Keep your voice up, please.

A All right.

At his hotel.

Q Mrs. Goldfarb, did you and your husband have a social relationship with Mr. Corr in 1971, '72 and '73?

A Yes.

Q You were friends?

A Oh, yes.

Q Did there come a time, Mrs. Goldfarb when you went to a bank known as the Underwriters Bank and Trust Company?

A Yes.

Q When did you first go to the bank or have you been there a number of times?

A I had been there many times.

Q Let me direct your attention then to September of 1972.

Did you go to the bank in September of 1972?

A Yes.

Q Prior to going to the bank, did you have a conversation with Mr. Corr?

A I believe so, yes.

Q Was it in person or over the phone?

A My recollection is not too clear on that point, but I did have a conversation with him.

Q And as a result of that conversation you went to the bank?

A Yes.

MR. LESCH: I object to the form of the question, your Honor.

MR. SORKIN: I withdraw the question.

Q Do you recall what Mr. Corr said to you and what you said to him prior to going to the bank?

A It was brief.

Mr. Corr asked me if I would meet him at the bank, and I don't believe that there was anything that I asked anything more.

I just assumed that he wanted me for that

purpose.

Q Did you then go to the bank?

A Yes, I did.

Q Mrs. Goldfarb, I am going to show you three documents now:

Government's Exhibit 40, 44, and 66, all in evidence.

MR. SORKIN: For the jury, ladies and gentlemen, 40 in evidence is the loan application with the signature of Kathleen Keogh;

44 is the statement of charges, with the signature of Kathleen Keogh, and the printing Kathleen Keogh;

And 66 is what has been described as an authorization to John Coyne, signed Kathleen Keogh.

THE COURT: Am I correct again, that this evidence is being offered only with respect to the defendant Corr and also with respect to count 34?

MR. SORKIN: That is correct, your Honor.

THE COURT: Members of the jury, I so instruct you that the evidence now being offered is to be considered only as against the defendant Corr and not in any respect to be considered as to the other two defendants on trial, and the evidence relates to the charge that the defendant wilfully and knowingly made a false statement to the Underwriters

Bank and Trust Company, that is, with respect to the loan that you are familiar with, the $20,000 loan.

Q Mrs. Goldfarb, would you look at Government's Exhibit 40, 44 and 66, and I ask you to look at the signatures on each document.

On 40 it reads "Kathleen M. Keogh," on 44 "Kathleen Keogh," and on 66 it reads "Kathleen Keogh."

Now, Mrs. Goldfarb, would you look at those documents and I ask you: Is that your handwriting?

A Yes, this is my handwriting.

Q Did you sign the name "Kathleen Keogh" on each of those documents?

A Yes, I did.

Q Did you print "Kathleen Keogh" underneath Government's Exhibit 44?

A No, that is not mine, but it looks familiar to me, the printing.

Q That is not your printing, though?

A No.

Q Is there anything else on any of those documents that is in your handwriting other than the signature?

A Yes.

On Exhibit 40.

Q Would you hold it up so the Court and jury can

see it. Go ahead.

A On Exhibit 40 there is a statement which required an answer. It is in my handwriting.

Q What is in your handwriting?

A It says "Is to refurbish home."

MR. LESCH: I'm sorry, I didn't hear that, your Honor.

THE COURT: "Is to refurbish home."

That is in your handwriting?

THE WITNESS: Yes.

Q Anything else on any one of those documents, 40, 44 or 66?

Why don't you turn them over, too, to see if there is anything on any of them.

A No, just on each one my handwriting where the signature is, and where it says "To refurbish home."

Q Mrs. Goldfarb, prior to signing the name Kathleen Keogh and Kathleen M. Keogh, did you have a conversation with Mr. Corr when you arrived at the Underwriters Bank and Trust Company?

A Yes.

Q Where was the conversation, to the best of your recollection?

A This is three years ago.

To the best of my recollection -- you mean what part of the bank?

Q Was it in an office, in the lobby, behind the cage?

A I think it was outside -- it was at a desk, at an empty desk, near the empty desk, probably outside of Mr. Smith's office.

Q Was anyone else present at the time that you had this conversation with Mr. Corr?

A Not to my recollection, no.

Q Tell us, please, to the best of your recollection, Mrs. Goldfarb, what Mr. Corr said to you and what you said to Mr. Corr, and keep your voice up, please.

A Mr. Corr asked me -- I assumed it was important for him to have these documents signed --

MR. LESCH: I object to that, your Honor.

THE COURT: Not what you assumed. You are asked to state what Mr. Corr said to you, the circumstances under which you signed it.

A Mr. Corr asked me to sign those documents because it was necessary that they be signed at that time, and to have sent these documents to Kathleen Keogh in Florida would have taken too many days.

Q This is what Mr. Corr is telling you?

hpe 9 Goldfarb - direct

A Yes, to the best of my recollection.

Q Did he say anything else?

A Let me see.

Just that it was important that these documents be signed and that it would just take too long really, to have them sent, and would I sign them.

He asked me to sign them.

Q Mrs. Goldfarb, did you read each of those documents before you signed them?

A No.

Q Did you know at the time you were signing Kathleen Keogh's name what you were signing?

A No, not really. I probably glanced at them. Mr. Corr was a friend, a friend I had faith and trust in and I just signed them.

Q What did you do after you signed them?

What did you do with those documents after you signed them?

A I assume I gave them back to Mr. Corr.

MR. LESCH: I object to what she assumes.

A Let me try and recall now.

I know that Mr. Corr was standing near me as I signed these documents.

THE COURT: The question was what did you do

hpe 10 Goldfarb - direct

after you signed them.

THE WITNESS: After I signed them I may have chatted with Mr. Corr --

THE COURT: What did you do with the documents?

THE WITNESS: I gave them to Mr. Corr.

Q When was the next time, Mrs. Goldfarb, that you saw those documents after giving them to Mr. Corr?

A The next time I saw these documents was when you showed them to me in your office.

Q And when was that?

A Just a month -- no, I came back from Florida November 23rd.

I don't know when I saw you. I don't remember the day.

Q Was it in the last two months?

A Definitely. Within the last month.

Q Mrs. Goldfarb, did you receive any monies, gifts, promises of any monies or gifts or any remuneration from Mr. Corr for signing those documents?

A Absolutely nothing. None whatsoever.

Q To your knowledge, Mrs. Goldfarb, do you know what Mr. Corr did with those documents after you gave them back to him?

A No.

jpe 7 Greenberg - direct

policies.

* * * *

MR. SORKIN: Government calls Steven Greenberg.

S T E V E N G R E E N B E R G, called as a witness by the Government, having been first duly sworn by the Clerk of the Court, testified as follows:

MR. SORKIN: May I proceed, your Honor.

THE COURT: Yes.

DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Greenberg, please keep your voice up, sir, so all the jurors can hear you.

Mr. Greenberg, how old are you, sir?

A 32 years of age.

Q Are you employed?

A Yes, I am.

Q In what capacity?

A I am President of Anametrics, Incorporated.

Q And what is Anametrics, sir?

A We are investment advisors and also do financial public relations work.

Q How long have you been President?

A Since its incorporation in 1968.

Q Prior to that time, what did you do?

A I was self-employed in the financial consulting business and prior to that, I was a security analyst.

Q For whom, sir?

A Arnold Bernhardt & Co.

Q To your knowledge, does Arnold Bernhardt publish a publication known as Value Line?

A Yes, sir, they do.

Q Did there come a time when you received a telephone call from a person who identified himself as James E. Corr, III?

A Yes.

Q Did you ever meet a man by the name of James Corr in person?

A Yes.

Q Did the man who had the voice on the telephone have the same voice as the person who identified himself as James Corr?

A I believe he did.

Q Tell us what the conversation was? What did you say to Mr. Corr and what did he say to you?

And can you fix a time when he first called you?

A It was probably sometime in the middle of 1972, May, June or July and the telephone call came to someone in my office and I returned it because I was at another phone call.

When I called him back, he told me he had heard of certain things about the type of work we did and would be interested in meeting with me to discuss the development of a possible future business relationship.

Q Anything else discussed?

A In that conversation?

Q Yes.

A No.

To the best of my recollection, no.

Q Do you recall the subject of Jerome Mackey's Judo being discussed?

A I'm sorry, yes.

He mentioned he was a principal stockholder in a company called Jerome Mackey's Judo, Incorporated and that it was a stock that was publicly traded and he told me a little bit about the company and what they did.

He told me he would be interested in speaking with me further.

Q Now, sir, did there come a time when you did meet Mr. Corr?

A Yes, I did.

Q When was that, sir?

A In my office.

Q Could you tell us when, in relation to the phone call?

A Within a day or two after the phone call -- possibly within a day or two after the phone call.

Q Was anyone else present?

A Just the two of us.

Q Tell us what you said to Mr. Corr and what he said to you?

A I told Mr. Corr something about the type of business we did and the kinds of companies we represented and basically what our business was about.

Mr. Corr in turn told me that he was a principal stockholder in Jerome Mackey, that he would be interested in possibly retaining us to represent Jerome Mackey in the area of doing their financial public relations, that is, disseminating to the public and to others, information about the company.

Q When you were hired, do you recall that Mr. Mackey was mentioned at the time that you were hired?

A Yes, he was.

Q And in what connection was he mentioned, sir?

A As being the principal stockholder and chief executive, chief operating -- president, or some other senior title.

Q When Mr. Corr spoke to you about being hired by Judo, did he say that he could only hire you subject to his speaking to Mr. Jerome Mackey?

A He might have.

Q What is your best recollection, sir?

A I believe he did.

* * * *

would so testify.

MR. SORKIN: That is accurate, your Honor, or someone from the brokerage firm, as the case may be, they would testify that those documents were mailed.

The next stipulation has been entered into between Michael Lesch, counsel for defendant James Corr, III, and Mr. Lesch is from the brokerage firm of Shea, Gould --

MR. LESCH: Not brokerage firm.

MR. SORKIN: I'm sorry, from the law firm of Shea, Gould, Climenko & Casey, by the United States Attorney Thomas J. Cahill, by Ira Lee Sorkin, and it is a stipulation entered into only between James Corr and the Government and it relates to only counts in the indictment that pertains to James Corr, and not to the defendants Roger Drayer or Barry Drayer.

* * * *

11. If Jeffrey Tucker an attorney with the Securities and Exchange Commission were called as a witness, he would testify that on June 26, 1973, July 9, 1973, and July 16, 1973, James E. Corr, III appeared before the Securities and Exchange Commission and was duly sworn to testify truthfully.

12. If a Stenographic reporter were called as a witness, he or she would testify that Government Exhibits 251 (June 26, 1973), 252 (July 9, 1973) and 253 (July 16, 1973), all of which will hereinafter be marked, are true

and accurate copies of the testimony of James E. Corr, III before the Securities and Exchange Commission as stenographically recorded in the abovementioned dates.

MR. LESCH: Here again, this is also subject to check.

MR. SORKIN: If Jeffrey Tucker, attorney with the Securities and Exchange Commission, would also testify that in 1972 and 1973 the Securities and Exchange Commission was investigating the security of Jerome Mackey Judo, Inc., and was inquiring into the following areas concerning that stock:

Whether James E. Corr, III had guaranteed purchasers of Judo against loss;

2. Whether James E. Corr, III controlled brokerage accounts of others;

3. Whether James E. Corr, III attempted to a acquire control of Judo;

4. At what brokerage firms Kathleen Keogh and Joseph Sonberg exchanged Judo securities for Health Delivery Systems, Inc. securities;

5. The substance of a conversation between Robert Tucker and James E. Corr, III;

6. Whether James E. Corr, III made price projections to brokers and traders;

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7. Whether James E. Corr, III instructed R. Bruce Buschbaum to be high bid in Judo securities;

8. Whether James E. Corr, III told Russel Wayne of the inaccuracies in the Value Line article.

And nine would be, he would testify that the Securities and Exchange Commission was inquiring as to whether Joseph Sonberg and Kathleen Keogh maintained brokerage accounts in the year 1972 and 1973.

That is the extent of it, your Honor.

* * * * *

gwe 4 Filmore - direct

xx DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Filmore, you have been here so I needn't remind you to keep your voice up so everyone can hear you.

Are you employed?

A Yes, I am.

Q In what capacity?

A I'm employed as an investigator by the New York Regional Office of the Securities and Exchange Commission.

Q How long have you been so employed?

A Thirteen years.

Q Prior to that, Mr. Filmore, what did you do?

A Prior to that I was employed by the Commodity Exchange Authority. Prior to that I was in the U. S. Army. Prior to that I was in college.

Q Mr. Filmore, during the course of your duties with the Securities and Exchange Commission, did you work on a matter involving the securities of Jerome Mackey's Judo, Inc.?

A Yes.

Q Anyway, it took them many, many months to produce all those records?

A Yes.

Q What you finally came up with was $600,000 paid by Mr. Corr for these 84,000 shares of stock, isn't that right?

A There was monies -- other monies paid by Mr. Corr.

Q In addition to these?

A Yes, sir.

Q This isn't even complete, is it?

A This is what he paid for stock received for other people.

Q This is not even a complete chart in the sense that it doesn't represent all the amounts that Mr. Corr spent for Judo stock, does it?

A It doesn't list what was Mr. Corr's stock that he paid for, no. There is more than this.

Q There is more than this?

A Yes, sir.

Q Now, how much is this 84,399 shares worth today, sir?

A Well, I haven't looked in the pink sheets recently. The last time I looked in the sheets it was bearly

a market for it if there was --

Q Barely any market for it?

A That's right.

Q The company isn't even operating now, is it, sir?

A That's right.

Q This investment of $600,000 is worthless, isn't that right?

A I don't know if it is worthless or not.

Q Well, it certainly isn't worth --

A Could I finish?

Q Yes.

A In the open market it is worthless. Privately it may be worth something, I don't know.

Q As far as you know, sir, this represent substantially a total loss for Mr. Corr, isn't that right?

A Substantially, yes.

Q You can tell from this chart that Mr. Corr, the principal defendant in this case, lost over $600,000 by virtue of his transactions in Judo stock, is that right?

A No, no.

Q You can't tell that?

A No, because I -- may I explain?

Q Sure.

A There was a profit at the end of October --

MR. SORKIN: What year, Mr. Filmore?

A 1972. He had profits.

Q How much profits did he have?

A At least -- approximately 250 to $300,000.

Q You didn't offer any chart to show that, did you?

MR. SORKIN: Your Honor, we did. It is right here. If Mr. Lesch wants to look at it again.

MR. LESCH: That doesn't show profits, that shows proceeds from sale, doesn't it. Do you know the difference between profits and proceeds.

THE COURT: Mr. Lesch, please don't grab and snap papers that way. Please conduct yourself in proper decorum.

MR. LESCH: Excuse me, your Honor.

Q Are you telling us, Mr. Filmore, that this chart here, Government's Exhibit 255, that this represents profit?

A No.

Q That represents proceeds from the selected transactions as shown on this chart, isn't that right?

A That's correct.

Q And in order to find out whether there is a

profit or a loss, you have to balance out all of the purchases that the man made against all the sales that the man made, isn't that right?

A That's correct.

Q If the man hasn't made sales of particular stock, then you have to value the stock as of the day that you are ascertaining whether there is a profit or a loss, is that right, sir?

A Substantially.

Q Now, I'm asking you again, whether you had ever made a chart which showed that Mr. Corr had profits of $250,000 in any year?

A Yes.

Q But you didn't offer it in evidence, did you?

A It is not in evidence, no.

Q The only thing that is in evidence is a chart, Exhibit 255 that shows that Mr. Corr made an investment of over $600,000 in stocks that are now substantially worthless, isn't that right?

A Yes.

Q The net effect of all of the evidence in this case, all of the conversations, all of the directed orders so-called and everything else, as far as the Government knows is a $600,000 loss, is that correct, sir?

MR. SORKIN: Objection.

THE COURT: Objection is sustained.

* * * *

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MR. LESCH: Now, with respect to counts 2 through 9, your Honor, those of course are the counts that charge Mr. Corr with the unregistered sale of stock. The Government's theory is as I understand it, and we have discussed it and indeed as it is alleged in the indictment is that Mr. Corr was a controlling person of Jerome Mackey's Judo, that is, that he controlled the policies and management of the company and I think that the evidence is overwhelming and undisputed that he was not a controlling person of Jerome Mackey's Judo.

I direct your Honor's attention first to the cross examination of Mr. Mackey, that starts at page 309 of the record, in which Mr. Mackey said that he was the Chief Executive Officer, that he made the decisions with respect to the location of franchises, that he made the decisions with respect to the compensation of employees; that when a contract was to be entered into for advertising services, he made the decision.

For example, the contract with Milt Warner

jpe 3336

Associates, which was an advertising contract; that he was the one who held the ultimate power in the corporation to decide whether that agreement would be made and that testimony appears at 311.

He even goes so far as to say on page 311 in response to this question;

"Q If you had wanted it and the rest of the Board of Directors had not wanted it that agreement would have not been entered into?

"A My opinion probably would have been sustained."

He also admits at all times relevant to this case, '71, '72 and '73, he owned more than 50 percent of the outstanding common stock of Jerome Mackey's Judo; that in August 1971 he owned 96.3 percent and this is at page 312 of the record --

THE COURT: Mr. Lesch, is stock control the sole criteria?

MR. LESCH: It is not, your Honor.

THE COURT: May there be more than one control person?

MR. LESCH: Yes, there can be more than one control person.

THE COURT: Is the jury concluded by that testimony?

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MR. LESCH: There is no testimony the other way in this case.

Your Honor, there may be more than one control person but if one person by himself has the power to control entirely the operations and management of the company all by himself, the fact that at certain times someone may agree with him and that at other times someone may disagree with him, does not make him a controlling person.

THE COURT: Isn't there testimony in the case by a witness that the defendant acknowledged that he was the person in control of the corporation and directed its affairs?

MR. LESCH: There is testimony -- I've forgotten which witness there is.

THE COURT: At least one witness.

MR. LESCH: I think the only witness who said that was Mr. Wien and I think he was talking about the control of the stock, your Honor. I don't believe that he was talking about the control of the management of the corporation.

Your Honor, this witness, Mackey, who was really the Chief Executive Officer and Chairman of the Board of Directors admitted on page 313 and a document in evidence, BB, which shows it, that he had the power in owning 50

jpe 3338

percent of the stock under the bylaws of the corporation, he had the power to appoint the entire Board of Directors of this corporation and that that power continued --

THE COURT: You mean appoint or elect.

MR. LESCH: Elect. Although in his case it amounted to the same thing.

Because all he had to do was cast --

THE COURT: Mr. Lesch, what you are saying is that the bylaws of a corporation which define the duties of the President and give him usually complete executive control, would foreclose a finding that another person by facts, acts and conduct, may also be deemed to be a control person.

MR. LESCH: This is not the president. I'm talking about him as a shareholder.

Your Honor, if you will look at the transactions in this case, aside from marketed transactions which have nothing to do with the management and policies of the corporation, Mr. Bradley testified that for the agreement to be entered into it was always understood that Jerome Mackey would have to sign that agreement and would have to approve it.

Mr. Greenberg, who was hired as a financial analyst, testified that it was his understanding that it was

subject to Jerome Mackey's okay.

Mr. Ray Corr, who was Mr. James Corr's brother, also testified that his hiring was subject to Jerome Mackey's personal okay.

Finally, your Honor, Mr. Corr appeared before the SEC as, of course your Honor knows, because the transcript is in evidence.

The SEC went through all this with him and then they issued a release on August 24, 1973 after the stock had been suspended and before the suspension was lifted and they said as follows:

This is release number 10364A, of August 24, 1973.

"The Securities and Exchange Commission announced the temporary suspension of over-the-counter trading in the securities of Jerome Mackey's Judo, Inc. Mackey, located in New York, New York, will terminate at midnight, Eastern Daylight Time, August 27, 1973. The Commission initiated the trading suspension May 10th, 1973 because of questions concerning the market activity in Mackey stock. Management of the company had indicated to the Commission's staff that there had not been any unusual corporate developments or public announcements to justify the price rise in Mackey stock."

Now, here is the part that relates to control.

"It appears that the public float in the stock, the number of shares available for public trading is approximately 250,000 shares, of which approximately 150,000 shares, or 60 percent of such float, may be controlled directly or indirectly by one person. It is possible, therefore, that Mackey's stock may be subject to erratic price movements."

Mr. Corr had been down there in June, many of the facts that have been discussed here today on Mr. Filmore s chart, the fact that he had acquired all this stock, was presented to the SEC and the SEC said that that was part of the public float. They recognized that Mr. Corr would be -- would have the right to buy and sell that stock otherwise they would not have called it the public float, your Honor.

So, I say, both based on the evidence in this case and the fact that the SEC itself said that Mr. Corr's 150,000 shares in or about August 1973 were part of the public float, they recognized that he was not a control person. They recognize the fact that back in 1973. If one witness -- we have had four weeks of testimony, your Honor in this case, and reams and reams -- if one witness who has no familiarity with the real management of the company could but only, based on one statement like that of

Mr. Corr that your Honor quotes, is that enough in a case like this --

THE COURT: I didn't mean to confine the evidence in the Government's case to that single instance.

How about the negotiation with Mr. Bradley?

MR. LESCH: Your Honor, just because someone negotiates for Jerome Mackey's Judo on behalf of the company when Mr. Bradley himself said that he understood he couldn't buy it and Mr. Mackey said that, your Honor. I can read your Honor the testimony --

(Continued on next page.)

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THE COURT: I am familiar with that. I have gone over the testimony as you must know, very carefully and I kept day by day notes.

MR. LESCH: I know your Honor is extremely familiar. You will recall on the redirect examination of Mr. Mackey, I asked him those two questions about Mr. Bradley and Anametrics. In those cases too he confirmed that he was in control. If I may for a moment read that testimony to the Court.

THE COURT: Well, you have to remember, Mr. Lesch, you are reading, not summing up before the jury. You are directing yourself to the Court. You are asking for a directed verdict as a matter of law. I think you are too experienced for me to really go into details on what you have to show in this situation.

MR. LESCH: Your Honor, I assisted Mr. Gould during the Wolfson trial. And that was a case where Mr. Wolfson sold a lot of stock of a corporation called Continental Corporation and there was no question that he controlled that corporation. He was the chief executive officer and appointed the board of directors. That is what we are talking about when you have controlled stock here.

THE COURT: Even in that case, you argued that he was not the controlling officer.

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MR. LESCH: No we didn't, your Honor. We didn't make that argument.

Here on 339.

"Q The deal with Mr. Bradley?

"A Yes.

"Q You say that Mr. Corr negotiated that deal with Mr. Bradley?

"A Yes, he did.

"Q Before that deal the agreement in principle were signed did you have a conversation with Mr. Corr?

"A Yes.

"Q And did you give your approval to Mr. Corr to bind the company to that agreement?

"A Yes, sir."

He was acting pursuant to Mackey's instructions.

THE COURT: Have you finished your argument on that point? If so I am going to limit you to a very brief response.

MR. SORKIN: Your Honor, I think the briefest I can be is, I think it is now a jury question and I think the Government has certainly made a prima facie case that Mr. Corr was in control. If Mr. Lesch wants somebody else who the Government claims has testified that there is some sort of control that Mr. Corr had, I direct his attention

jprf 3

to Mr. Corr's own SEC testimony where Mr. Corr himself and I can't quote verbatim but Mr. Corr himself says that he had carte blanche to this corporation. He had assets, property, anything he wanted from this corporation. I don't mean to be summing up, your Honor, but I think that is what Mr. Lesch and I are doing. I think on the basis of a motion to dismiss as a matter of law. I think the motion should be denied.

MR. LESCH: Your Honor, that is talking about access to assets. That isnot talking about control. The fact is as Mr. Mackey himself said he was the only one who had an expense account in that corporation. Yes, Mr. Corr could go to him and if he was doing something for the corporation he could ask Mr. Mackey for it.

But I honestly can't say how there is a shred of evidence in this case when you have the testimony of Mackey, when you have the testimony of Greenberg, you have the testimony of Ray Corr, you have the conclusion of the SEC itself on this.

I can't see how there is anything to go to the jury on. The only effect of all this is going to be if your Honor denies the motion is that we are going to have such a confusing issue before the jury and the relevant issue in this case and I ask you --

jprf 4

THE COURT: I assure you you will not have a confusing issue before the jury. I hope I can frame an instruction to the jury that will not be confusing. I have spent Christmas Day, New Year's Day and this Saturday and Sunday working on the charge, hopefully it will be a charge that the jury will understand.

MR. LESCH: I understand that and I appreciate it. But even Justice Jackson once said about these conspiracy counts --

MR. SORKIN: We are on 2 through 9.

THE COURT: You don't have to quote Mr. Justice Jackson. You would be better in quoting Judge Learned Hand on the conspiracy charge.

MR. LESCH: What we have here is the conspiracy charge plus this confusing Section 5.

THE COURT: You keep on saying confusing. Personally I would prefer there be fewer counts but I have to take the indictment as the grand jury returned it.

I do not doubt your sincerity in advocating your position but I am of the view based upon the totality of the evidence in the case that there is an issue of fact for the jury to decide with respect to whether or not Mr. Corr was a control person under Counts 2 to 9. Accordingly that motion is denied.

MR. LESCH: My next motion, your Honor, relates --

Q Sir, in December of 1972, did you have a further conversation with Mr. Jerome Mackey about the services that you were rendering to the company, about the amounts that Jerome Mackey's Judo owed to you and any amounts that Mr. Mackey claimed that were owing from you?

A It was actually reduced to writing in December of 1972.

The agreement that we had to have accountings and separate our individual efforts and our coroporate efforts were entered into on November 6.

When Mr. Mackey's attorneys found out that I was subpoenaed on November 6, to meet with Mr. Sorkin and the U. S. Attorney on Election Day, November 7, it was decided that they were not going to employe me any longer, that my contract was up and that I had to then make an accounting and that we had to separate and sever our relationship.

* * * *

EDITOR'S NOTE

Pages 242A were missing at time of filming. If, and when obtained, a corrected fiche will be forwarded to you.

or ever did overule Jerome Mackey?

A No, sir.

Q Who made the determination as to what the budget for any particular school would be?

A Jerome Mackey.

Q How long had Mr. Mackey been running this company, sir, in 1972?

A Eighteen years.

Q Who selected the employees that ran the various Jerome Mackey Judo schools?

A Jerome Mackey, personally.

Q You said that you had a corporation which purchased franchises from Jerome Mackey.

Who selected the employees that ran the schools that were franchised to you?

A Mr. Jerome Mackey.

Q Who was in charge of collecting the money from all the schools that were either franchised by Jerome Mackey or that were actually owned by Jerome Mackey's Judo, Inc.?

A Mr. Jerome Mackey's designee.

Q Who was that?

A It was an accountant servicing corporation, Mr. Albert Proujan.

Q Who made the decision as to hiring Mr. Albert

Prujan?

A Mr. Jerome Mackey.

Q When was Mr. Prujan retained, sir, do you know?

A He was there prior to my ever meeting Jerome Mackey in 1970.

Q Who made the decision to form a subsidiary known as Mackey Distributors, Inc.?

A Jerome Mackey.

Q Did you have anything to do with that decision?

A No, sir, nothing whatsoever.

Q Do you know who did designate the entire Board of Directors of Jerome Mackey's Inc. for the entire period of time that you had anything to do with that company?

A Yes, sir.

Q Who was that?

A Mr. Jerome Mackey.

Q Were you connected with the management of Jerome Mackey's Judo, Inc.? Did you make decisions relating to the management of Judo, Inc.?

MR. SORKIN: Objection as to form, your Honor.

THE COURT: You have two questions there, Mr. Lesch.

MR. LESCH: I withdraw the first question.

Q Did you make decisions relating to the management

of Jerome Mackey's Judo, Inc.?

A No, sir.

Q Do you know whether anyone other than Mr. Mackey had a company credit card?

A No, sir.

Q Did you have a company credit card?

A No, sir.

Q Were you ever an officer of Jerome Mackey's Judo, Inc.?

A No, sir.

Q Were you ever a director of Jerome Mackey's Judo Inc.?

A No, sir.

* * * * *

Q And did Mr. Goldfarb tell you of his relationship with the Underwriters Bank and Trust Company?

A Yes, he did.

Q What did he tell you about that?

A He told me that he was responsible for bringing in the major depositors to Underwriters Bank and Trust Company, and that the major clients of the bank --

MR. SORKIN: Your Honor, again I object.

THE COURT: Objection sustained.

Q Did he tell you about amounts of money that he had borrowed from Underwriters Bank and Trust?

MR. SORKIN: Objection, your Honor.

THE COURT: Objection sustained.

MR. LESCH: Your Honor, this bears on the matter.

THE COURT: The charge here is the submission of a false application to the bank. Mrs. Goldfarb testified that this witness was the one that brought the application to her.

Now, won't you confine yourself to that testimony and other testimony on the subject of a bank application?

MR. LESCH: Will your Honor hear me at the side

bar?

THE COURT: No, I will not. It is unnecessary. Mr. Goldfarb had nothing to do with this loan application. Put a question that relates to the loan application.

Q Did Mr. Goldfarb tell you during 1972 whether or not he was borrowing money from the Underwriters Bank and Trust Company?

MR. SORKIN: Objection, your Honor.

THE COURT: Objection sustained.

Q Did Mr. Goldfarb tell you in 1972 what the state of his indebtedness was with the Underwriters Bank and Trust Company?

MR. SORKIN: Objection, your Honor.

THE COURT: Objection sustained. Make an offer of proof, and put it on the record.

(In the robing room.)

MR. LESCH: I offer my offer of proof of this witness that in 1972 and thereafter Mr. Corr had conversations with Mr. Goldfarb and Mr. Goldfarb told him that he was heavily indebted to the Underwriters Bank and Trust Company, that he was in danger of losing a condominium at U. N. Plaza, and I intend to draw the inference on summation, if I am able to adduce this testimony, that Mr. Goldfarb

was willing to do anything he could for the Underwriters Bank and Trust Company. I also would combine that with the testimony of Mrs. Goldfarb that Mr. Goldfarb is an unindicted co-conspirator in this case, and I suggest what happened, also based on the testimony of Mr. Smith yesterday, that there were a number of loan applications that we are missing.

I suggest that what happened here was that Mrs. Goldfarb was asked by her own husband to sign this loan application, and that she did so at her own husband's request and that she did so for two reasons.

First of all because she wanted to help her husband help the Underwriters Bank and Trust Company.

Second, once having done that at her husband's request, and knowing that her husband was an unindicted co-conspirator in this case, she thought she would get him into trouble if she said that her own husband asked her to do that, and so she decided that Mr. Corr asked her to do that and that's the only explanation that I know of that is consistent with the facts that have been told to me, your Honor.

THE COURT: Are you saying that your client told you that Mr. Goldfarb asked his wife to sign Mrs. Keogh's name, is that what you are saying?

MR. LESCH: My client hasn't told that to me. I said that is the inference which I intend to draw from the facts in this case.

THE COURT: From what?

MR. LESCH: The facts are these, your Honor:

Number one, what I am now attempting to elicit from Mr. Corr is that Mr. Goldfarb was heavily indebted to the Underwriters Bank and Trust Company.

Number 2, what I have from Mr. Smith is that a number of loan applications were missing.

Number 3, I think what happened, based on that was that Mr. Coyne needed a favor from Mr. Goldfarb, and that is to get him to have someone fill out these loan documents because there were examiners that had come in from the State and Mr. Coyne, who had already been in trouble because he had been indicted before, and indeed subsequently pleaded guilty to embezzlement, the last thing he wanted were any irregularities in the loan documents, and he goes to the man he trusts most in the world and asks him to help him out in doing this.

THE COURT: You are talking like your client.

Go on.

I'll not stop you.

bmrf 2b am 1 Corr-direct

(In chambers.)

MR. LESCH: I don't want to talk like my client. I better stop.

THE COURT: I am giving you the opportunity to state as fully as you want your offer of proof.

MR. LESCH: My offer of proof is that, your Honor, I was not there as, of course, your Honor knows, and I am trying to reconstruct what happened here.

Stranger things have happened before then that a man heavily in debt to a bank and owes a lot of favors to a bank official and brings in his wife who has a woman-like signature, and asks her to sign the document, and when the wife is questioned years later and knows that the husband is a co-conspirator in the case, and certainly as between Mr. Corr and her husband, Mr. Goldfarb, her main loyalty would be to the husband, Mr. Goldfarb.

Stranger things have happened than if the United States Attorney says, "Did you sign this?" And she says, yes, and who asked you to sign this, and at that point why shouldn't she say Mr. Corr rather than her husband?

It is not that uncanny to me that that kind of thing would happen. This is a piece of that pattern of evidence which I think is a fair inference from all the

evidence. And I would like to make that argument to the jury, your Honor, because that is the only reason that I can understand all these things that happened, how they could have happened.

MR. SORKIN: May I be heard, your Honor?

THE COURT: All right, I will allow you to be heard because I am going to make one statement. I think Mr. Lesch's comment and his offer of proof quite evidently disregards the testimony of his own client just given, that he prepared a form of letter for the bank to send to his wife in connection with this loan.

Further, that he, the defendant, the witness now on the stand, talked to his wife saying that she would receive such a letter.

MR. LESCH: They didn't send the letter. He prepared the letter.

THE COURT: You make your statement.

MR. SORKIN: Fact, Mr. Corr got the proceeds of that loan in his account. The issue now is not whether Goldfarb or the man in the moon asked Jean Goldfarb to sign it.

The issue is that your client filed it knowing it was not Kathleen Keogh's signature. That is the issue.

THE COURT: Do you want to add anything else, Mr.

bmrf 3 Corr-direct

Lesch, so you will have your record as perfect as can be? I give you unlimited opportunity to add anything else you want.

MR. LESCH: Your Honor, I appreciate it. I think I have said everything I want to say on the record. I would ask your Honor again in the exercise of your discretion to permit me to elicit this testimony which will not take that long to elicit, and I do believe is relevant.

THE COURT: I will not accede to that request because I think it borders absolutely on the absurd to receive that evidence based upon the considerations that you suggested may be relevant.

Moreover, I'm going to refer you now in the light of what has gone on yesterday and today, that there is a duty upon the Court under Rule 403 of the Rules of Evidence, to take into account considerations of undue delay, waste of time or needless presentation of evidence.

But your offer of proof is on the record with respect to this matter.

* * * * *

Q After you appeared before the SEC, was the suspension lifted in Jerome Mackey's Judo stock in August of 1973?

MR. SORKIN: What is the relevance. I object to it. Whatever reasons the SEC lifted the suspension.

THE COURT: Let him answer yes and go on to some-th-ng else if the answer is yes.

A My last appearance was on July 16th.

THE COURT: That was not the question Mr. Lesch asked you.

Q Was the suspension lifted in August?

A Yes.

MR. LESCH: May I have this document marked for

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(Defendant Corr's Exhibit DZ marked for identification.)

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MR. LESCH: I offer in evidence the portion of Exhibit DZ that relates to Jerome Mackey's Judo, Inc.

MR. SORKIN: Objection, your Honor.

THE COURT: May I see it, please.

MR. SORKIN can state my reasons, if your Honor wishes.

THE COURT: Objection sustained.

MR. LESCH: Would your Honor hear me on this.

THE COURT: No, it may be marked for identification. There are too many side bars here.

* * * * *

Q Mr. Corr, can you tell us, please, where you were living in 1972?

A 5992 50th Strpet South, St. Petersburgh, Florida.

Q Were you living in New York at the time?

A I was visiting New York on business trips and would go home on weekends.

Q Did you own your own home in St. Petersburgh?

A Yes, I did, Mr. Sorkin.

Q If I recall the testimony in this case, the apartment was a corporate apartment, the rent of which was paid for by the corporation; is that correct?

A I never saw who paid the rent. I believe Mr. Mackey told me the lease was in the name of Jerome Mackey's Judo.

jprf 8a pm 1 Corr-cross

Q You never paid the rent?

A That is correct.

Q Do you know what the rent was?

A Approximately, not exactly.

Q What do you recall it was?

A I think $800 a month.

Q Did you move out of the apartment at 400 East 56th Street at some time?

A I never really moved in.

Q When did you stop sleeping there?

Can you give me a date, please.

A Probably somewheres after I first went to your office on November 7th, within the next eight to ten days.

Q Where did you sleep when you were in New York after that?

A For a while I stayed at Stanley Fingerhut's apartment at 411 East 53rd Street.

Q And after that?

A After that I leased a corporate apartment at 24 Central Park South.

Q How long did you stay at that corporate apartment?

MR. LESCH: May I inquire --

MR. SORKIN: I am leading up.

MR. LESCH: What is the relevance of Mr. Corr's

jprf 2 Corr-cross

sleeping habits.

THE COURT: On the representation he is leading up to something, I will take it.

Q Go ahead.

A How long did I stay in terms of what?

Q At 24 entral Park South.

A I don't understand your question How long did I stay there?

Q Were you living there, sleeping there, residing there?

A When I was in New York, I stayed there.

Q How long was that from,approximately when to when?

A I have already answered that. I said I spent about 60 per cent of my time in Florida and about 40 per cent of my time in New York.

Q Up until what period of time -- today, are you still staying at 24 Central Park South?

A No. I moved out of that apartment entirely, I believe in 1974, in June of 1974.

Q Now, you say you leased this apartment, a corporate apartment; which corporation?

MR. LESCH: I object to this, your Honor. I think we are way off the track on these questions.

THE COURT: Overruled.

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Q Which corporation leased it, Mr. Corr?

A Self Defense Industries of New York.

Q Did there come a time, Mr. Corr, when you purchased an apartment or purchased a home during 1973?

A When I purchased an apartment or purchased a home?

Q Either one, did you ever purchase an apartment?

A I had an option on purchasing a home, yes -- a cooperative apartment, yes.

Q Where was that, sir?

A 24 Central Park South.

Q Did you ever exercise that option?

A No, I did not.

Q When was that option given to you?

MR. LESCH: I must continue to object.

THE COURT: I will take an offer of proof.

MR. SORKIN: Your Honor, the next question I will get to it.

THE COURT: Get to it now.

Q When was that option given to you, Mr. Corr?

A I would have to evoke my attorney-client privilege. I had an arrangement with an attorney on the option on that apartment and I don't feel that I have to testify to that.

MR. SORKIN: Your Honor, all I asked was a date

jprf 4 Corr-cross

when the option was given to him. He has already testified he had an option. I think he has waived the privilege.

MR. LESCH: I don't even know what this option thing is. May I ask for an offer of proof at the side bar.

MR. SORKIN: I will withdraw the question, your Honor, and get to the point that I am trying to make.

THE COURT: Get to the point that you are trying to make.

Q Mr. Corr, during 1973, did you make any loan applications to any banks?

A Yes, I did.

Q Chase Manhattan Bank?

A Yes, I did.

Q And did you take out a loan from the Chase Manhattan Bank?

A Yes, I did.

Q For how much?

A $250,000.

Q What did you do with that $250,000?

A I basically entered into a business agreement with my attorney at that time.

MR. LESCH: At this point, your Honor --

Q Mr. Corr, was this --

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MR. LESCH: I object to this line of inquiry because I think I am beginning to see where all this sleeping questions lie and I think we ought to let sleeping dogs lie. I object to the question.

THE COURT: Well, you may be able to see. You know a great deal more about matters than I do. I can only rule as I hear these. I know nothing about this.

Q Did you use that $250,000, Mr. Corr, to purchase an apartment?

MR. LESCH: Objection, your Honor.

THE COURT: I will let him answer yes or no.

A I have an attorney-client privilege on the fact that I was going to purchase a home and a cooperative apartment and I don't feel I need to testify about that inasmuch as the contract and the option was with my attorney.

Q Mr. Corr, I ask you again, did you use the $250,000 to purchase an apartment in 1973?

MR. LESCH: Objection, your Honor.

THE COURT: I will allow him to answer. You may answer.

A I will not waive my attorney-client privilege with my attorney.

MR. SORKIN: Your Honor, I am not asking for any conversation.

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THE COURT: I hold there is no privilege or anything like that. No conversation is being asked for at all. It is a simple question being asked. I hold there is no privilege.

Q I will repeat the question, Mr. Corr.

A I am familiar with the question.

Q Please answer it, then.

A I did not complete the purchase of the apartment, no.

Q Did you use any of the $250,000 which was given to you in the form of a loan for the purchase of that apartment?

A No, I did not.

MR. SORKIN: May I have this marked, please. Government's Exhibit 259.

(Government's Exhibit 259 marked for identification.)

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MR. LESCH: May we have an offer of proof on this at the side bar.

THE COURT: Yes.

(In the robing room.)

MR. SORKIN: Your Honor, I have here, which has been marked as 259, a loan application to the Chase Manhattan Bank dated May 26, 1973, well within the period of this conspiracy signed by James Corr, III for a loan

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of $250,000 and it is written in "Purchase Apartment."

I think this goes to the heart of Mr. Corr's credibility with respect to at least one of the issues in this case and I think it is perfectly permissible for us to ask him whether he made such a loan application and put down on the application, "Purchase an apartment."

MR. LESCH: I think this is outrageous. I must say we have so many transactions in this lawsuit and once we get into this question, Mr. Sorkin alleges that that was a false loan application, I presume, your Honor. Now we have to go into the question of this man's intent at the time it was written, what was the purpose, what conversations he had at that time.

We have to bring in the attorneys on this question. It is entirely a collateral matter and extremely prejudicial, already the suggestion he has made to the jury on this are extremely prejudicial and I object to it.

MR. SORKIN: Your Honor, there is absolutely nothing prejudicial. Mr. Lesch has devoted his entire defense to intent and wilfulness and if this does not go to the heart of wilfulness and intent then nothing is.

MR. LESCH: What about some of the issues in this case, Mr. Sorkin?

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jpe 1

MR. SORKIN: One of the issues is your client's credibility.

THE COURT: You are both yelling.

What issue does this go that you are referring to?

MR. SORKIN: This goes to credibility. He has been on the stand for two days now. He has testified extensively about this loan application at the Underwriters Bank and Trust Company. He has put his credibility in issue now. Apparently he is going to be the sole witness or support for the defense in this case and I think his credibility is clearly in issue.

THE COURT: I will allow it solely on the issue of credibility.

MR. LESCH: May I be heard on this?

THE COURT: Every time I bring you gentlemen in and you argue extensively and when I rule, you say may I be heard.

I have given you a full opportunity to be heard. I'm not going to conduct a marathon on these questions. In the future, please state fully your position. We have been in here about six or seven minutes on this.

Now, what do you want to add in addition to what you said.

MR. LESCH: I want to add, your Honor, is that obviously there is an issue in this case as to whether Mr. Corr caused a false loan application to be filed at the Underwriters Bank and Trust Company. The prejudicial effect of this type of statement being offered in evidence not on any issue of credibility but on the issue of whether or not Mr. Corr has done something -- filed a false loan application in another matter as to which we have had no notice, we had no knowledge that any such issue of this would be brought up, at this point in the trial, he has so much to go on credibility.

He has all the testimony that Mr. Corr gave to the SEC, it seems to me, your Honor, that in the exercise of your discretion, I urge that this not be allowed.

THE COURT: That's a different matter. But you are suggesting that I ought to restrict the prosecution with respect to proof in the cross examination of a witness.

Now you did say, you suggested this was prejudicial. Of course it is, it is an attack on his credibility.

MR. LESCH: It is not only prejudicial --

THE COURT: Doesn't a lawyer have a right to attack a witness on credibility?

MR. LESCH: Of course he does. But your Honor knows as well as I do only if it seems to be proof with

respect to a substantive count in this case, namely, the false loan application case.

THE COURT: I will take it.

MR. LESCH: That's where the prejudice lies and I think the prejudice is irreparable.

THE COURT: No. I will instruct the jury it is being received solely on the issue of credibility.

(In open court. Jury present.)

THE COURT: You may put the question.

MR. SORKIN: What's the last question.

(Question read.)

THE COURT: This testimony is being received solely and only on the issue of the witness' credibility. It is no proof of any of the offenses charged in the indictment.

Q Mr. Corr, would you look at Government's Exhibit 259 and I ask you if that is your signature?

A Yes, it is.

Q Have you ever seen that document before?

A Yes, I signed this.

MR. SORKIN: Your Honor, we offer 259 in evidence.

MR. LESCH: I object to it on the ground of relevance and it is incomplete on its face.

THE COURT: It will be received solely and only to the credibility of the witness.

MR. LESCH: This document says there are collateral statements that are attached to it and there is nothing attached to this document and I also object to it on the ground that it is incomplete on its face. It says that it is secured in whole and in part by the stock listed in part 2A and I don't see any part 2A.

MR. SORKIN: The collateralism. Whatever collateralized the loan is not the issue.

MR. LESCH: I urge that this piece of evidence that wasn't even seen except today, we have no notice of this and now he's putting in a piece of paper and it isn't complete on its face.

THE COURT: You are making a statement in front of the jury. I am not aware of any law that requires the opposing side to give you all the evidence that it intends to offer upon trial. The law does not require the litigant to do that except under circumstances not applicable here. I will sustain the objection on the other ground that there is a reference to an attachment and the attachment isn't there. You produce the attachment, then I will allow it in. In the meantime the witness oral testimony is before the jury. Now, let's move on. Any reference to the document is stricken

and the jury is instructed to disregard it. The witness' testimony is before the jury. Now, let's move on and put your next question.

Q Mr. Corr --

MR. SORKIN: Your Honor, I'd ask you to look at the document.

THE COURT: Please, I've rules. Just as I have tole Mr. Lesch. When I rule, I rule. I don't know want any discussion from you.

Q Mr. Corr, did you make an application to the Chase Manhattan Bank for a $250,000 loan and put down on that application that it was for the purpose of an apartment?

MR. LESCH: I object. This has been asked and answered.

THE COURT: I told you --

MR. SORKIN: I did not ask that question, your Honor.

THE COURT: I am instructing you that is the end of this issue. Please proceed.

Let's get down to other matters now.

* * * * *

MR. LESCH: Your Honor, I am going to be offering testimony as to the total investment of Mr. Corr in Judo and then I'm going to have an accountant come in tomorrow and

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testify as to the total investment that Mr. Corr made in Judo and some of this was made after '73. It is our contention that purchases after '73, as a continuing course of conduct reflect on what the defendant's actual intentions were prior to May of 1973.

It is our position in this case that the defendant was a consistent buyer from early 1973 through '73 and he also made purchases in '74 and the consistent reason throughout as to why he made those purchases was that he believed in this company. He believed that it would ultimately be a successful company and he believed that he would ultimately be able to get control of the company.

For that reason, even though outside the scope of the alleged conspiracy, we urge that his conduct after May of '73 reflects on his intentions prior to May of '73. For that reason we offer it in evidence.

MR. SORKIN: I don't see the relevance of any of this whatever his buying was and it has no bearing on the charges in the indictment. He's charged with fraud in the indictment. He's charged with misstatements, he's charged with false statements. He's charged with a conspiracy to raise the price. There could have been a conspiracy to raise the price so he could benefit. Why would he continue to buy?

I don't see the relevance.

THE COURT: The Government contends and it has offered no proof beyond that the conspiracy ended in May, 1973. I am of the view that the purchase should be kept within the conspiracy date. Moreover, early today when you questioned the witness as to his losses which went much beyond the conspiracy date and the Government made no objection and I frankly don't see what the significance is in light of the charges contained in the indictment.

MR. LESCH: Well, your Honor, my contention is that the fact is that if this witness were really carrying on a manipulation, it would not have been done this way.

THE COURT: What he was doing within the conspiracy date may not very well be trying to recoup his losses thereafter.

MR. LESCH: That's one possible inference.

THE COURT: I will sustain the objection. We won't go beyond June of 1973.

MR. LESCH: Even the Government offered information as to purchases after May of '73.

MR. SORKIN: That's settlement date.

THE COURT: I said we will go to June of 1973.

MR. LESCH: Just so I understand the Court's ruling, I intend to put on a witness to show what his total

losses are. Is your Honor going to preclude me from doing it?

THE COURT: I plan to. I was amazed that the prosecution did not object this morning.

MR. LESCH: Having not objected and being in this state of proof, your Honor, is still going to preclude me from showing them.

THE COURT: I still am called upon the rule. I hold it is irrelevant what his losses were subsequent to that period. He might have been in and out of the market for a dozen and one reasons.

MR. LESCH: Suppose you determine his losses in light of that hindsight in that period, doesn't that come within that?

THE COURT: No. I've ruled and the ruling stands.

(In open court.)

THE COURT: Jury excused.

(In the robing room.)

THE COURT: Just to add a footnote to that last discussion, your man might very well have lost money in the opeation of a scheme to defraud. It wouldn't exonerate him from criminal conduct if in fact there was a scheme in the fraud.

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MR. LESCH: If he continues purchasing at all times and he ultimately ends up losing money, that is, we urge a reflection on what his state of mind was while he was purchasing.

THE COURT: He might not have been a good defrauder. That's all it might add up to.

MR. LESCH: Or he might not be a defrauder at all.

THE COURT: He might not. But I will hold you to the indictment period.

* * * * *

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ceed, Mr. Lesch?

MR. LESCH: Mr. Louis Braff, your Honor.

xx L E W I S B R A F F, called as a witness by the defendant Corr, having been first duly sworn by the Clerk of the Court, testified as follows:

MR. LESCH: May I proceed, your Honor.

THE COURT: Yes.

Q Mr. Braff, what is your profession, sir?

A I'm a certified public accountant.

Q Do you have a client by the name of James Corr?

A I do.

Q How long have you been Mr. Corr's accountant, sir?

A More than ten years.

Q What duties have you performed for Mr. Corr as his accountant?

A I have in every case been the accountant for any business that Mr. Corr headed and have also done his personal accounting work and tax work.

Q Have you at my request, sir, prepared a schedule of Mr. Corr's investment in the capital stock of Jerome Mackey's Judo, Inc. up to June 30, 1973 and his investment in Jerome Mackey's Judo School Franchises?

A I have.

MR. SORKIN: Your Honor, at this time I have already told Mr. Lesch I would ask for an offer of proof with respect to this witness.

THE COURT: I think you better come inside.

(In the robing room.)

MR. LESCH: Your Honor, I offer to prove through this witness that he has examined the statements of accounts of Mr. Corr, Miss Keogh, Mr. Sonberg and Raymond G. Corr and that Mr. Corr's personal purchases of Judo stock for his own account and to the extent that he purchased stock from any of their accounts, he's calculated those purchases.

He has calculated the proceeds that he got from the sales and that through June 30, 1973, which I understood was the date that your Honor mentioned the other day, Mr. Corr's net loss in capital stock of Jerome Mackey's Judo is $895,560, and I also offer to prove through this witness that his unrecouped loss on investments in Jerome Mackey's Judo Franchises through June 30, 1973 comes to $209,467, or a total loss of $1,105,027.

The reason that I think this is relevant, your Honor, is that it is my position that Mr. Corr, throughout 1972, was making recommendations to purchase the stock because he believed in this company and the best proof of Mr. Corr's belief, honest belief in the company, was that he

was buying the stock and continued to buy the stock throughout the whole period of the alleged conspiracy.

And Mr. Sorkin has asked a number of witnesses questions of whether he was selling in this period.

I think in the light of those questions and in the light of the charts that have been offered in evidence, your Honor, as to amounts of purchases that he has made, I request that I be permitted to prove that through this witness.

THE COURT: What authority do you have to support your position?

MR. LESCH: I --

THE COURT: I asked you the other day. You had about three days to look it up.

MR. LESCH: I --

THE COURT: I always understood the law to be that whether one, particularly an allegedly defrauding person, whether the person made more or lost money was immaterial to the scheme to defraud.

MR. LESCH: You mean defrauded person?

THE COURT: Yes. What's your position?

MR. SORKIN: Your Honor --

THE COURT: Before we go into that, does that chart include the purchases made in the names of Kathleen

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Keogh, Sonberg and the others?

MR. LESCH: To the extent -- it includes them only to this extent, your Honor, that if Mr. Corr made a sale through his own account at a time when there were not sufficient shares in his own account to cover the sale and he then took shares from the account of Keogh or Sonberg, those shares are put into Mr. Corr's account at the market value of the shares and then put out of the account because the accountant advises me that that is the proper way to calculate a loss on Mr. Corr's sales and purchases of Judo stock.

THE COURT: Unless I misunderstood it, isn't it your position in this case that these accounts appearing in the names of Keogh, Sonberg and the others were the accounts and the monies of the others?

MR. LESCH: That he was managing their accounts.

THE COURT: Assuming you are right in your position, why is he entitled to include that in any calculation of alleged losses by them? Isn't that inconsistent with --

MR. LESCH: No, it is not inconsistent. What I am saying is, the vast majority of these purchases were purchases in his own account. There are a few that are labeled private purchase, and in those instances what happened was as follows:

For example, there is one on March 6, 1972, he sold 8,600 shares. There were 8,100 shares in his own account. The 500 shares from the Keogh account were delivered pursuant to that sale. So the transaction is recorded as a purchase for $3,546 from Keogh and a sale for $3,546.

So there is no net gain or loss on that transaction to Corr.

MR. SORKIN: This all sounds appetizing because again I think this may enure to the benefit of the Government

MR. LESCH: Wonderful.

MR. SORKIN: With one exception. Number one, Mr. Lesch raises the point that we asked certain investors whether they knew Mr. Corr was selling, not because of the fact that Mr. Corr might have been selling, but the disclosure that he should have told them he was selling. It was material to those investors to know whatever Mr. Corr's position was and whether he was buying and selling at the same time that he was recommending the purchase to these people.

It seems to me totally irrelevant because the scheme did not succeed because the SEC jumped in and suspended the stock.

MR. LESCH: That is his argument.

THE COURT: I said the other day to you, Mr. Lesch, that I have very grave doubt that the profit or losses during the period of the alleged operation of the scheme was immaterial to the existence of the scheme. When you came forward with this proffer of proof just now, I thought you would have some authority to support your position. I invited you the other day. I have sufficient doubt to exclude it now. I'm going to give you an opportunity overnight, and your associate can make whatever calls he wants to your staff -- you have a large staff --

to give me an authority by tomorrow morning to get it in. I have sufficent reservation now to exclude it. I am going to give you the opportunity to persuade me that it should be admitted on any theory that you think renders it admissible.

MR. SORKIN: Your Honor --

MR. LESCH: I will do the best I can, your Honor. I don't have a large staff.

THE COURT: There is one case that I recall to mind immediately from having worked on other charges. I think it is U. S. versus Blatchley, a Fifth Circuit case. I, too, will look up the question tonight. I will expect you, since I do have this reservation as to admissibility, to give me some citation to support your position, some authority which would justify its admission.

I think this may be the kind of evidence that would distort the immediate issue before the jury as to whether or not there was,in fact, the existence of the scheme as alleged in the conspiracy count and in the other counts that charge a scheme to defraud.

I had always understood the law to be that it didn't make any difference whether one was defrauded or not defrauded. Equally I think it would apply that it wouldn't make any difference as to whether the alleged perpetrator

of the alleged scheme profited or lost under it.

What you are suggesting then is the Government, if this evidence is admissible, and I'm just talking out loud on it, that is, the evidence that you suggest, there was a loss admissible in your case, then equally in the Government's case if there is a scheme to defraud where a man made a profit, the Government would be free to come in and show that he made a profit.

MR. LESCH: May I --

THE COURT: I stated it. I am giving you an opportunity.

MR. LESCH: May I state my position for the record, your Honor?

THE COURT: I thought you did.

MR. LESCH: I don't think I did fully.

THE COURT: I will give you a chance tomorrow morning to elaborate on it if you have authority to support it.

MR. LESCH: All right.

THE COURT: If your concept is right, then the Government should be able to, as part of its case, direct case, to offer proof that the party who allegedly was the perpetrator of the scheme had a profit in it.

MR. LESCH: My main purpose is on the issue of

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wilfulness and intent, your Honor, and my feeling is --

THE COURT: That is the only concept on which I can see it may be admissible, on the issue of intent.

You will do your homework, Mr. Sorkin.

* * * * *

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United States of America

vs

75 Cr. 803
75 Cr. 1059

James E. Corr, III, et al.

New York, New York
January 8, 1976 - 9:30 a.m.

(Trial resumed.)

(In open court, jury present.)

MR. LESCH: Your Honor, with respect to the matter we discussed in chambers yesterday on certain proof, may we have a moment with your Honor on that?

THE COURT: Yes.

(In the robing room.)

MR. LESCH: Your Honor, it is our position that the proof of the losses, over a million dollars of losses, that were sustained by Mr. Corr are relevant on the issue of wilfulness to show that Mr. Corr truly believed that Mackey was a good company when he said so to so many people.

It is also relevant on the issue of wilfulness to show that Mr. Corr was a net buyer of the stock, because the Government has asked so many witnesses whether they knew that he was selling stock in this period of time.

It is also relevant because the indictment alleges, in 4-R -- and indeed there has been some evidence to that

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that has been adduced through Mr. Kern -- that customers lost a million dollars in the stock. The allegation that as a result of the activities of the defendants James E. Corr, et cetera, the investing public and numerous brokerage firms sustained monetary losses of over one million dollars.

I also gave your law clerk some cases which I believe he already had. One is U. S. against Corlin, in the Southern District of California, where Judge Yankowitz, in a case involving mail fraud and conspiracy to commit mail fraud said as follows:

"I know, of course, that the success or unsuccess of a scheme is not material if it be devised to defraud."

And then there are the citations, "But when the Government, to prove bad faith, seeks to show what was realized from the sales, losses resulting to the selling concern are as important on the question of good faith, for a going real estate concern wouldn't ordinarily engage over a period of years in a losing enterprise if its object be fraud, and the amounts received by the salesmen did not exceed reasonable salaries."

Then there is also U. S. against Meyer, 359 F. 2d, 837, which is a Seventh Circuit case. In that case the Seventh Circuit Court of Appeals said: "The failure to benefit from a scheme does not necessarily indicate

innocence, although it may mirror the defendant's good faith.

That is exactly what we are urging in this case.

Your Honor, I also took a look at the Blachly case against U. S., 380 F. 2d. 665, and that merely deals with the burden of the Government in a mail fraud case. It does not deal with the question of whether evidence offered by a defendant is admissible to show good faith, evidence of the sort that I am adducing.

Of course, there are a number of other cases in addition to Blachly which hold that, but it is our position, your Honor, that those cases apply to the Government's burden of proof and what it has to prove to sustain a charge, but are not dispositive of the issue that is presently before your Honor, which is whether we may adduce evidence of the losses suffered by the defendant to show his good faith.

So I renew my application, your Honor, on that basis, to permit Mr. Braff, or if he is unavailable, which I believe he may be -- whether I can get some else from his office --

THE COURT: You already have evidence in the case of the losses suffered by the defendant.

MR. LESCH: I have some evidence, your Honor, but I don't have a sufficient --

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THE COURT: I permitted the question over the Government's objection. My recollection is I permitted it up to I think a month after the termination date of the alleged conspiracy. You have the defendant's own testimony on that.

MR. LESCH: I have the defendant's own testimony as to part of the losses, but it was only an estimate, your Honor. What I want to do is get it clearly before the jury how the losses were calculated and put a chart before them just the way the Government has a chart before them on this issue so they can understand what we are saying.

MR. SORKIN: Your Honor, the question of good faith is totally irrelevant to whether he sustained losses. It seems to the Government that if Mr. Corr lost money that has no bearing on whether he believed that the company was a good company. Mr. Lesch is free to argue to the jury that Mr. Corr had high hopes for the company, he was trying to get control. That is evidenced by his massive buying in 1973 as opposed to his selling in 1972. And that was proof alone that he had faith in the company.

The fact that he lost money is not dispositive of his good intent. He was buying --

MR. LESCH: Your Honor, I am not saying it is dispositive of anything. What I am trying to do is argue --

MR. SORKIN: May I finish, please.

MR. LESCH: What I am trying to do is make the argument to the jury Mr. Corr was a true believer in Jerome Mackey's Judo. When he made these tremendous investments, and he made tremendous investments --

THE COURT: You know, you have a tendency to argue. You stated no more this morning than you did last night and we are going on ten minutes.

MR. SORKIN: The fact Mr. Corr lost does not in any way indicate he didn't believe in the company. He did believe in the company. That is what Mr. Lesch is going to argue. He may have lost because the SEC didn't give him time to bail out from the stock. We are going to argue Mr. Corr was buying in the same pattern in 1973 but he didn't have the opportunity to sell out because the cops came in and stopped the scheme.

THE COURT: Without indicating how I will rule I want to go over the case. You said you would argue it even if I didn't allow it in evidence.

MR. SORKIN: Yes.

THE COURT: I will look at the cases in the luncheon recess.

MR. SORKIN: I think I have to point this out in fairness so as not to mislead the Court. I intend

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to argue, and I believe your Honor indicated you would so charge, that success of a conspiracy is one factor the jury is entitled to consider. It is the Government's position in 1972 the conspiracy up to at least the time of the selling in October was more than successful, it was overwhelmingly successful. The fact that Mr. Corr wasn't successful in 1973, because he wasn't able to sell out his stock, has no bearing on the argument Mr. Lesch is making that he believed in the company.

THE COURT: You are both arguing now as if you are addressing the jury.

All right.

* * * * *

MR. LESCH: I now call Lewis Braff, your Honor.

XXX L E W I S B R A F F, called as a witness after having been first duly sworn, testified as follows:

THE COURT: Before you question the witness, Mr. Lesch, I just want to make this statement or rather give

an instruction.

Members of the jury, you know that a number of counts in the indictment are based upon various Federal statutes which prohibit the use of the mails or other means of interstate communications in furtherance of a scheme to defraud.

In the light of the testimony that I am informed may be elicited from this witness, I will now instruct you that it is immaterial whether the unlawful scheme charged was successful or not or whether the defendants profited or lost by reason of the alleged scheme to defraud. It is not an element of crime charged.

However, an element of the crime charged is that a defendant participated in the scheme with intent to defraud and good faith is always a defense to a charge that one participated in an alleged scheme to defraud. Thus, if the scheme was successful, that is, if a defendant or alleged participant profited by the transactions that are the subject of the scheme, this may be considered by the jury on the issue of criminal intent and good faith.

While the fact that a defendant did not profit or indeed lost money by reason of the claimed fraudulent transaction, does not in and of itself necessarily reflect innocent conduct so too, it may be considered in deciding

whether he acted in good faith or with criminal intent.

Thus, the evidence you are about to hear is limited to its consideration by you on the issue of criminal intent and good faith.

Mr. Lesch, you may proceed.

MR. LESCH: Thank you, your Honor.

THE COURT: I think that meets the requirements.

XXX DIRECT EXAMINATION

BY MR. LESCH:

Q I will repeat a few questions from yesterday, Mr. Braff.

What is your occupation?

A I'm a certified public accountant.

Q How long have you been a certified public accountant?

A More than 29 years.

Q Are you also the accountant of Mr. Corr?

A I am.

Q How long have you been Mr. Corr's accountant?

A More than 10 years.

Q What duties have you performed, sir, as Mr. Corr's accountant?

A I've handled his personal affairs, his income tax affairs and I think just about every corporation with

which Mr. Corr had been associated as a principal.

Q Have copies of monthly statements from brokerage firms in which Mr. Corr has had transactions been sent to you, sir?

A They have.

Q Have you received the copies of those statements shortly after the period ended as described on those statements?

A Yes.

Q Now, sir, have you at my request prepared a chart showing Mr. Corr's investment in the capital stock of Jerome Mackey's Judo, Inc. and the net profit or loss sustained by Mr. Corr for the period to June 30, 1973?

A I have.

Q Have you also prepared a chart reflecting Mr. Corr's investment in Jerome Mackey Judo School franchises and the unrecouped loss or profit in such franchises for the period up to June 30, 1973?

A I have.

MR. SORKIN: Your Honor, my understanding was that it was limited to the securities and not the franchises.

MR. LESCH: Oh, no. Your Honor, I have made this very clear. It was both the securities and the franchises.

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THE COURT: How did the franchises come into this thing? I am limiting this to the securities.

MR. LESCH: Your Honor, in the robing room I told your Honor on more than one occasion that it was both the franchises and I explained the reason which I'll be happy --

THE COURT: I'll take it. But I will only instruct the jury their only concern is with the securities.

MR. LESCH: Your Honor --

THE COURT: Please, we have gone through this.

MR. LESCH: I thought we had.

MR. SORKIN: I object. It is irrelevant and it has no bearing.

THE COURT: I instructed the jury that it was with respect to the securities, the basis on which it was being received and the basis on which they may consider it in losses that may have been sustained by an alleged participant in the scheme to defraud.

Let's move on with it.

MR. LESCH: May we have this document marked for identification, please.

(Defendant Corr's Exhibit EH marked for identification.)

XX

Q Is Exhibit EH for identification the chart which

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you have prepared at my request, sir?

A It is.

Q Now, sir, I show you the following exhibits in this case and ask you whether these are the exhibits that you used to prepare the portion of the chart relating to the investment in capital stock.

Exhibit 63, Exhibit 65, Exhibit CF, Exhibit CO, Exhibit CP, Exhibit CQ, Exhibit CR, Exhibit CS, Exhibit CT, Exhibit CU, Exhibit CV, Exhibit CW, Exhibit CX, Exhibit CY, Exhibit CZ, Exhibit AA -- excuse me. Exhibit DA, Exhibit DB, Exhibit DC, Exhibit DD, Exhibit DE, Exhibit DF, Exhibit DG, Exhibit GH, GI, GJ, DK, DL, DM, DN, DO, DP, DQ, DR and DS for identification -- withdraw the last one.

MR. SORKIN: DS?

MR. LESCH: Withdraw DS for identification.

Q I ask you whether these are the documents that you used to prepare the first part of that chart, sir, relating to investment in capital stock.

A They are.

MR. LESCH: May we have these two books marked for identification.

(Defendant Corr's Exhibits EI and EJ marked for identification.)

XXX

Q Mr. Braff, what are Exhibit EI and EJ for

identification?

A EJ is the cash receipts and disbursements journals for Self Defense Industries, Inc.

MR. SORKIN: I am going to object.

Q What is EI?

A EI is the general ledger for Self Defense Industries, Inc.

Q Who prepared those documents?

A My accounting office.

Q Were they prepared in the regular course of business?

A They were.

Q Was it in the ordinary course of business to prepare those documents for Self Defense Industries?

A Yes.

MR. SORKIN: I object.

Q Were these two documents EI for identification and EJ for identification the underlying documents from which the portion of the chart relating to the investment in Jerome Mackey Judo School franchises was prepared?

A Yes.

MR. LESCH: I offer Exhibit EH in evidence.

MR. SORKIN: Your Honor, I object.

THE COURT: Your objection is sustained. I am

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limiting the testimony only insofar as it touches upon Judo securities which are the subject matter of the charge in this indictment. I have stated and that is it.

MR. LESCH: Your Honor, there's been a misunderstanding.

THE COURT: Please don't discuss it any further. Even if there was a misunderstanding on my part as you suggest, I am going to limit it to an offer of proof with respect to the securities that are the subject matter of this indictment and no other matter will come into the picture.

MR. LESCH: In that case, your Honor, I offer everything in Exhibit EH for identification except paragraph two which relates to the investment in Jerome Mackey Judo School franchises and with the Court's permission I would simply tear off that part of the page.

THE COURT: Either cover it or get up a separate chart. It will be received in evidence.

MR. SORKIN: My only objection related to a chart, I thought we were going to have testimony.

THE COURT: I assume we will. After this is received.

MR. SORKIN: Is this chart in evidence or is it only going to be used by the witness to refer to as he

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testifies?

THE COURT: Let me explain again, members of the jury. I don't know why we always have difficulty understanding this.

I mentioned the other day when -- I forget the name of the witness -- Mr. Filmore was on the witness stand and prepared the charts which you had seen and copies of which had been passed around to you, that what he was testifying to was really a summary of exhibits in evidence that one could not expect that members of the jury should carry in their minds the different exhibits and attempt to collate it.

Essentially the evidence at all times was the documents that were received in evidence during the course of testimony. Now, again, simply I refer to that as an aid memoir and always you go back to the testimony in the case and the exhibits.

This witness' testimony is being received on the same basis. It is simply an aid memoir based upon documents that are now in evidence.

(Continued on next page.)

ake 6 p.m.

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MR.LESCH: Your Honor, so the jury may follow this, my request, with the Court's permission, to tear off the part of this exhibit that relates to part 2, and give the jury copies and mark as a separate exhibit for identification the portion that has been torn off.

THE COURT: As you have heard from this discussion I am confining the witness' testimony to the securities that are the subject matter of the charges in the indictment. I hold the balance of it is irrelevant in terms of the issues in this case.

MR. SORKIN: I have not seen this before. May I look at this for a moment?

THE COURT: All right.

(PAuse.)

MR. LESCH: The first thing I will do is cut off paragraph 2 of the first page, and then, if I may, with the Court's permission, I would ask that the remainder of this document, this chart, be denominated Exhibit EH, in evidence, and this portion that I have cut off be denominated EJ for identification.

THE COURT: Yes, it may.

MR. LESCH: Thank you, your Honor.

MR. SORKIN: I have just looked at the last two pages here, your Honor, and I --

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THE COURT: Is there a problem that there are other figures included there?

MR. SORKIN: No. There are names. I think your Honor ought to look at the last two pages.

THE COURT: I assumed it was in proper form. I hadn't looked at it. Maybe we will have to have this redrafted.

MR. SORKIN: I would be happy to state my objection.

THE COURT: Maybe we better go inside for Mr. Lesch to explain it to me.

I am going to suggest now that if there is a problem of redoing this, I am not going to keep the jurors waiting here tonight. I have ordered the cars. I hear there are some traffic problems on the road and when the cars come, we are going to get them on their way.

MR. LESCH: I did not anticipate any problems with this. This is the second time this witness has come back.

(In the robing room.)

MR. LESCH: Your Honor, as long as we are in the robing room, my contention with respect to both the shares --

THE COURT: Mr. Lesch, I gave you ample time.

I have ruled. If I am in error, if the occasion arises, you can point out my error to higher authority. I told you I had a serious doubt that the loss or profit items are properly admissible. I reflected upon it a great deal. The question is very close. I have given you the benefit of the doubt. But I am not going to allow a free wheeling reference by a witness to Mr. Corr's investments with franchises and other matters that in my judgment are not related to the subject matter.

The indictment was specifically with respect to securities. There will be no further discussion now that you have had your say two days ago, you had it yesterday, you had it today. I am not going to elaborate upon it. You have had my ruling, and as I said if I am in error and there is occasion to review it hereafter somebody will recognize the error.

MR. LESCH: I would much prefer not to have to make that argument.

THE COURT: I'm sure you would rather not make it here at all in the courtroom.

Now, what is your problem on the balance of this, Mr. Sorkin?

MR. SORKIN: Your Honor, as to pages 5 and 6 I am baffled as to what Ventura, Cohen, Berman, Van Ess are doing in here. Is Mr. Lesch saying this is Mr. Corr's

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stock?

MR. LESCH: He was stuck with all the stock.

MR. SORKIN: It is not a loss to him. It was a bad debt.

He loaned money to these people. He hasn't been stuck with it. He hasn't been paid back yet.

MR. LESCH: It's been a long time then he has been stuck with the stock.

THE COURT: I asked you the other day when this first came up, Mr. Lesch, why there was inclusion of the -- and I saw the statement and I didn't go over it this thoroughly -- why there was inclusion of the Keogh --

MR . LESCH: There is no Keogh account here, your Honor. These are only accounts --

THE COURT: Wasn't that in the other day, the Keogh account, in what you showed me? If you are including Keogh, how are you going to argue that --

mR. LESCH: I was going to get that from this witness. What I explained to your Honor was this private purcahse on page 2, March 6, 1972, 500 shares.

THE COURT: What is that?

MR. LESCH: That will be explained by this witness.

THE COURT: That is a matter of examination of

the witness. But how about the other items here, the Van Ess --

MR. LESCH: Your Honor, the money was laid out by Mr. Corr as is shown on the government chart and he has never been repaid and he is stuck with the stock.

THE COURT: This is completely contrary to the testimony in the case, is it not?

MR. LESCH: This is not contrary. This is the testimony in the case.

THE COURT: What is your theory with respect to the Ventura-Cohen accounts?

MR. LESCH: My theory with respect to the -- those accounts, is the man laid out all the money and he was stuck with all these transactions.

MR. SORKIN: That is a bad business debt, your Honor, which you write off. He was loaned money he wanted paid. How has that anything to do with the case?

MR. LESCH: If you want to change the label from investment to bad debt, it doesn't matter. It relates to Jerome Mackey's Judo, Inc., and it is a strong indication as between the contention as to whether this man was the defrauder or the defraudee, the fact that he ended up wtih all of this stock, having laid out all of this money, is something I want to be able to argue on wilfulness.

THE COURT: I will confine you to the purchases and the sales in the securities.

MR. LESCH: This is the securities of Jerome Mackey's Judo, Inc.

THE COURT: That he was involved in.

MR. LESCH: He was involved in these, your Honor.

THE COURT: There was your client's testimony of the arrangement, for example, with Mr. Ventura where he put up $80,000 in cash -- that is, Mr. Ventura did -- and your client put up $100,000 in collateral, and gave his explanation as to what the business relationship was, and I hold that that is not within the perview of my ruling. I am going to confine you. Whatever the loss is, you may argue.

MR. LESCH: If I can only say what this relates to. Mr.Corr testified that he was making these purchases throughout 1973 because he was informed that Ventura's money would come from South America back into this company, into this country, that he was making it for their accounts, and that he eventually got stuck with it.

He also testified that he was making purchases for Berman, and that he was making purchases for Diamond, and that he then sent stock to Diamond and Berman as part of the joint venture and he lost that stock, too.

THE COURT: Diamond and Berman testified they lost $300,000 in this set up. They were the ones that were the purchasers in this set up.

MR. SORKIN: It is directly contrary. If Mr. Lesch is offering this testimony to show Mr. Corr had good faith and did not intend to defraud, and he was buying and he was buying because he believed in the company, then he contradicts himself, because he wasn't buying in the company, he was buying for Ventura and Berman and Van Ess and Cohen and he didn't give a hoot about the company.

MR. LESCH: Let him make that argument to the jury, your HOnor.

THE COURT: There are substantial losses as it is without these.

MR. LESCH: Let me at least finish.

THE COURT: I have ruled.

MR. LESCH: I have said to the jury at the outset of this case that I was going to prove a million dollars in losses.

Now, I did that, because I believed -- I very rarely make statements like that in the opening, but I did say that, and I said it because I believe this is highly relevant.

THE COURT: You may have made the statement.

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I don't have to perpetuate your error.

MR. LESCH: You don't have to perpetuate my error, but I am in a position now where the chart has already been partly emasculated and if we then take out the rest, it is meaningless.

THE COURT: Take it overnight and redraft it. There is still a substantial part here. Moreover, thereis still a substantial question whether Ishould allow the CPA to come on the stand.

Your client under your questioning testified as to the losses suffered in this case. It is in evidence now. If you give me my notes, I will show you the page number it's at, or I will get it in right now for you.

Off the record.

* * * * *

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United States of America

vs

75 Cr. 803
75 Cr. 1059

James E. Corr, III, et al

New York, New York
January 9, 1976 - 9:30 a.m.

(Trial resumed.)

(In open court, jury present.)

THE COURT: I think before we start I want to dispose of one matter that came up last night. I will see counsel in the robing room.

(In the robing room.)

THE COURT: The Court is prepared to rule on the matter that engaged our attention at the conclusion of last night's session.

The inclusion in the profit chart of Schedule C, with its heading "1973 purchases assumed," relating to Ventura, Van Ess and Cohen purchases of Judo stock, is not justified. It is contrary to defendant's own testimony as well as that of other witnesses as to the nature of those transactions. The purchases, according to defendant, were those of Ventura, Van Ess and Cohen, and that he advanced the funds to them as personal loans against the purchases.

Furthermore, defendant testified that with respect to Ventura there is an issue as to $98,000, and that the alleged Van Ess loan of $45,000 was repaid, and that he and Van Ess were satisfied.

Finally, it is disputed that the defendant made the advances which he now seeks to claim as a loss with respect to those items. If any loss were sustained by defendant, even accepting his version as to these purchases by Ventura, Van Ess and Cohen, it was a bad debt loss on personal loans to them.

Such a loss under these transactions is not relevant to the issue of Corr's good faith, or lack of criminal intent.

The inclusion of claimed losses shown on the schedule as "1973 purchases assumed," would not reflect but rather distort the evidence. It would permit a "puffing" of alleged losses as far as his personal investment in Judo stock is concerned.

I will allow in evidence a chart which reflects losses sustained by Corr based upon his personal transactions or investments in Judo stock. This would be relevant on his lack of criminal intent and his good faith, as I have already instructed the jury. Indeed, there is evidence already in the case testified to by Corr as

to those losses which he placed at about $300,000. To permit Schedule C to remain as part of the exhibit would upon the evidence result in a gross exaggeration of losses beyond that figure.

MR. LESCH: Your Honor, may I just say something for the record here.

THE COURT: Yes.

MR. LESCH: First, the testimony of Mr. Corr as to the $300,000 was not as to stock purchases, but it was as to his investment in the Jerome Mackey's Judo franchises.

Second, the argument that I sought to make to the jury was that Mr. Corr advanced these monies to Ventura and Cohen, as your Honor has cited from the transcript, and the reason that he advanced these monies to them was because they were a part of a common group to try to get control of the company.

The fact that Mr. Corr wanted to get --

THE COURT: May I interrupt you? I will not deter you from making that argument to the jury. You are free to make it. I am ruling on allowing this exhibit as drawn to go into evidence.

MR. LESCH: Would your Honor --

THE COURT: No, Mr. Lesch, we are not going to continue this argument again. I said on your statement you

are free to argue to the jury anything you want with respect to those loans.

MR. LESCH: Thank you, but, your Honor, I want to ask you one thing. Would your Honor permit it to go in under the heading bad debt loss.

THE COURT: No, I wouldn't, because you are free to argue whatever you want. You have the figures as to that. You may refer to them according to the exhibits. You have the totals. I am not precluding you from arguing before the jury on it. This would be a distortion of the basis on which I am allowing that evidence to go in.

MR. LESCH: I respectfully except.

THE COURT: You have stated your exception a few times, you have had the exception, can't we proceed with the trial? And I am saying to you again you are free to argue anything you want.

MR. LESCH: Thank you. There is only one thing I did want to say, your Honor, and that is that with the greatest respect, and I do have the greatest respect for this Court, especially this Judge, but I do respectfully submit that I think that your Honor's study of the testimony which was of necessity done late last night, and which was under the pressure of getting copies of all the testimony to you, is in error on this.

I don't think that this is in any way a distortion, and I do urge that it does fall within the cases that we discussed yesterday which permit a defendant in a stock fraud case to show his losses on the issue -- his losses whether they be technically deemed bad debt losses or whether they be deemed investment, to show them in this type of a case, and that is the only thing that I have asked the Court for permission to do.

THE COURT: Have you finished your statement?

MR. LESCH: Yes.

I am not going to call the accountant. I am not going to offer this chart. What I will do is simply have the entire chart, if I may, marked for identification, and I am not going to offer any of it in evidence.

THE COURT: You are entitled to do that.

(End of robing room.)

MR. LESCH: At this time, your Honor, we have decided, in view of your Honor's ruling, that there is no need for the testimony of Mr. Braff, and the only request that I make is, because I originally tore off one portion of the exhibit, since the exhibit is not going to be received in evidence, but I ask the entire exhibit as originally offered be marked EH for identification.

THE COURT: It may be marked.

RAYMOND GOULD, called as a witness by defense, being first duly sworn, testified as follows:

THE COURT: All right, Mr. Lesch.

DIRECT EXAMINATION

BY MR. LESCH:

Q Mr. Gould, how were you employed in 1971 and 1972 and 1973,sir?

A I was general manager of Jerome Mackey's Judo Inc.

MR. SORKIN: Would you keep your voice up, please, sir.

A I was general manager of Jerome Mackey's Judo, Inc.

Q How long -- what is the period during which you were general manager of Jerome Mackey's Judo, Inc., sir?

A I went there in 1963 -- I am sorry, I am just a little vague on it. '63 to -- I left two years ago last November.

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Q So that would be until November, 1973, sir?

A '73, yes.

Q What were your duties at Jerome Mackey's Judo, Inc. during this period?

A I was in charge of sales, sales promotion. I was sales manager and just anything that was delegated to me by Jerome Mackey himself.

Q Did you have a -- what was Mr. Mackey's position at that time, sir?

A President of the company.

Q Was he also chairman of the board of directors?

A I don't know that.

Q What were you to Mr. -- if his title was president, what were you to Mr. Mackey?

A I was general manager and I was responsible to him.

Q Aside from Mr. Mackey, was there anyone who was your superior in Jerome Mackey's Judo, Inc.?

A No.

Q Now, sir, who made the decisions as to the management and policies of Judo throughout the period of time that you were the general manager of Jerome Mackey's Judo, Inc.?

MR. SORKIN: Objection, your Honor. May we have

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that defined in what areas of management and policies?

THE COURT: Can you define it or be more precise?

Q Who made the decisions as to the hiring and firing of salesmen?

A In general I did. I discussed them with him but I normally made the decisions.

Q That was the authority that was delegated to you by Mr. Mackey, is that right, sir?

A Yes, sir.

Q Who made the policies with respect to the instructions of Judo?

A Jerome Mackey.

Q Who made the decisions as to -- were there leases that had to be entered into for various Judo schools?

A Yes.

Q Who made the decisions as to whether leases should be entered into or not?

A Jerome Mackey.

Q Were there advertising contracts that were entered into at this time?

A Yes.

Q Who made the decision as to whether advertising contracts were to be entered into?

A Jerome Mackey.

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Q Were there purchases of furniture and other equipment and other assets for the corporation?

A Yes, sir.

Q Who made the decisions as to whether such purchases should be made?

A Jerome Mackey.

Q Were there assets that were rented, such as cars and equipment and other assets like that?

A Yes, there were.

Q Who made the decision as to whether such assets should be rented?

A Jerome Mackey.

Q Were stock options given to various employees of the company, sir, at various times?

A Not to my knowledge.

Q To your knowledge, sir, who made all of the -- was there one person who made all of the decisions as to the management and policies of Jerome Mackey's Judo, Inc.?

MR. SORKIN: Just to his knowledge.

THE COURT: That is what Mr. Lesch said.

A I have never known anyone in that company to make a decision other than Jerome Mackey.

Q To your knowledge, sir, was James Corr employed as a financial consultant in 1971, and 1972?

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A Yes, he was.

Q While he was employed, was there anything that Mr. Corr did that he didn't have to get Mr. Mackey's approval for before he did it?

A Not to my knowledge.

* * * * *

H O W A R.D B E R G T R A U M, called in rebuttal by the Government, being first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. SORKIN:

Q Mr. Bergtraum, are you employed, sir?

A Yes, I am.

Q In what capacity?

A I am an attorney with the law firm of O'Sullivan, Wolf, Carabell & Grave.

Q Keep your voice up.

THE COURT: I missed the first name. Repeat it.

THE WITNESS: O'Sullivan, Wolf, Carabell & Grave.

MR. LESCH: Before we go forward with this may we have a conference at the side bar and an offer of proof?

MR.SORKIN: I am agreeable, your Honor, but I don't think it is necessary.

THE COURT: All right.

(In the robing room.)

MR. LESCH: I just ask for an offer of proof.

MR. SORKIN: The question is this. Mr. Corr has testified that certain attorneys told him -- and I am looking at specifically the cross examination --

THE COURT: You put a very specific question to him. I remember it. On what subject?

MR. SORKIN: Whether or not he was told at any time by the firm of Davis, Sullivan that he was not a control person. Then I asked specifically Howard Bergtraum and he said absolutely not. I was never told that.

His testimony also on direct and cross was repeated he testified that he got permission from Davis, Sullivan, to sell the 40,000 shares of Judo, that he was not a control person, that he had permission all along to sell shares in 1972, not only with the swap but in his own account and the accounts of Keogh, and additionally,

that he had permission --

THE COURT: You have made your offer of proof.

MR. LESCH: This is what I thought was going to be offered. I would have no objection if Mr. Bergtraum were to be asked questions as to what took place at meetings when Mr. Bergtraum was present, but if he is being asked for advice that Bergtraum gave to Corr I have two objections. My basic objection is this: This man Bergtraum is a former SEC attorney, he is supposed to specialize in securities law. If he comes into this case at this time, at the very end of the case, and says in effect, "I have concluded that Mr. Corr was a control person of Jerome Mackey's Judo," then --

THE COURT: I don't understand that he is giving an opinion. I understand that he is being called to testify asto whether or not he told the defendant certain matters to which the defendant himself referred, is that correct?

MR. SORKIN: Yes.

MR. LESCH: To me at this stage of the case, we are no at the very end, it is going on summation --

THE COURT: You tell me at what stage of the case he could have been called.

MR. LESCH: I say at no stage of the case could he be called, especially on this point.

THE COURT: I want to say to you first, Mr. Lesch, I anticipated Mr. Bergtraum would be the witness. I say that simply having gone over the record. When Mr. Sorkin indicated there were rebuttal witnesses, the record is as clear as can be that repeatedly your client, instead of answering some questions yes or no and being responsive to questions, went off and injected into his answers references to the fact that his attorneys had told him various matters with respect to the shares of stock at issue.

I recall very distinctly the question and the answer that Mr. Sorkin just referred to, and I hold that is a perfectly proper rebuttal; and I will allow it.

MR. LESCH: That was my first objection.

My second objection is that this calls, to the extent that we are talking about conversations betweenMr. Bergtraum and Mr. Corr, outside the presence of anyone else, any third parties, this is a breach of the attorney-client privilege.

THE COURT: I must say with due respect to you that I certainly don't understand it in view of the volunteered statements by your client making direct reference to the matter that is about to be offered.

MR. LESCH: This was only at meetings when other

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persons were present.

MR. SORKIN: May I just point out --

THE COURT: Mr. Corr, on this record repeatedly made reference to these conversations. If there was any privilege it was waived by his volunteered testimony in this courtroom.

MR. SORKIN: Your Honor, there is another ground your Honor may rule on, and the ground is it is my understanding that Davis, Sullivan was the corporate attorneys for Jerome Mackey. They were not Mr. Mackey's private attorney. There is no evidence of that.

(End of robing room.)

(In open court, jury present.)

BY MR. SORKIN:

Q Mr. Bergtraum, can we have the firm name again?

A O'Sullivan, Wolf, Carabell & Grave.

Q Do you know a gentleman by the name of Peter Davis?

A Yes, I do.

Q Was he formerly associated with your firm?

A He was a partner in the firm.

Q You are a practicing attorney, is that correct?

A Yes, sir.

Q Prior to the time you went to the firm what did

you do before then, sir?

A I was an attorney with the Securities and Exchange Commission in Washington.

Q Do you know a gentleman by the name of James Corr?

A Yes, I do.

Q Do you see him in the courtroom today?

A Yes, I do.

Q Would you identify him, please?

A The gentleman wearing the grey suit, third from the left, at the table next to you.

MR. LESCH: So stipulat. .

Q During the year 1972 did your firm and you, sir, working for your firm, represent Jerome Mackey's Judo, Inc. corporation?

A Yes.

Q And when for the first time did you meet Mr. Corr?

A I would believe approximately June of that year, 1972.

Q Now, sir, during the year 1972, did Mr. Corr at any time tell you that he was selling shares of Jerome Mackey's Judo, Inc.?

MR. LESCH: May we have a standing objection to this line of testimony based on the grounds that I have

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already stated.

THE COURT: Yes. It is on the record.

A No, he did not.

Q At any time during the year 1972, did Mr. Corr tell you that he was selling shares of Jerome Mackey's Judo, Inc. through the accounts of others?

A No, he did not.

Q At any time during 1972 did you tell or did anyone from your firm in your presence tell Mr. Corr that it would be legally permissible for him to sell shares of Jerome Mackey's Judo, Inc. either through his own account or the accounts of others?

A No.

Q Did Mr. Corr at any time come to you and ask you if it would be legally permissible for him to sell shares of Jerome Mackey's Judo?

A No.

Q Now, sir, did Mr. Corr at any time ask you if he -- if in your opinion -- and he is asking you if in your opinion he was a control person in Jerome Mackey's Judo, Inc.

A No, he did not.

Q Did you at any time during the year 1972 tell Mr. Corr that in your opinion he was a control person?

MR. LESCH: I object to the form of the question, your Honor.

THE COURT: I will allow it.

A Yes, I did.

Q The question is, did you, Mr. Bergtraum, at any time in the year 1972 --

MR. SORKIN: Your Honor, I lost my train on that. May we have the first part of the question read back.

(Question read.)

Q -- tell Mr. Corr that he was a control person of Jerome Mackey's Judo, Inc.?

A Yes, sir.

Q Do you recall a time, Mr. Bergtraum, where Jerome Mackey's Judo, Inc. received a letter from NASDAQ?

A Yes.

Q The substance of which said that Jerome Mackey's Judo, Inc. did not have 500 shareholders and might be delisted from NASDAQ?

A Yes, I do remember.

Q Did you have a meeting with Mr. Corr and others at the time?

A A meeting or telephone conversation.

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Q During that meeting or telephone conversation, did Mr. Co-r at any time ask you if he could sell his shares of Jerome Mackey's Judo, Inc. or shares in the accounts of others for the purpose of getting wider distribution?

A He did not ask me if he could sell his shares. He did ask me about people who owned shares to get wider distribution.

Q Did Mr. Corr tell you that he was going to sell his shares?

A No.

Q Now, sir, in your presence, did any other attorney of the firm tell Mr. Corr that he could sell his shares for the purposes of getting distribution?

A No.

Q In your presence, did any other attorney from the firm tell Mr. Corr that it would be legally permissible for him to sell shares of Jerome Mackey's Judo, Inc. in 1972?

A No.

MR. SORKIN: I have no further questions, your Honor.

THE COURT: Mr. Lesch.

end of the Government's case and the one I have just disposed of now.

MR. LESCH: As long as we are here may I make two points for the record.

One, I respectfully request that the Court not marshal the evidence. I have taken a look at the Kelly case since your Honor mentioned that case.

THE COURT: Mr. Lesch, let me say this to you, this comes at a rather late moment. I have no hesitancy in saying that I have spent at least, well, more than two full days, this past Saturday and Sunday and nights going through this record, trying to abbreviate it and boil it down. I indicated to both counsel that was what I planned to do because I felt that in a case of this size I was bound by the ruling in the Kelly case where despite a stipulation entered into by Government and defense counsel, Judge Medina felt that there was an obligation on the part of the Court to marshal the evidence with respect to each particular person whom it was charged was a member of the conspiracy.

If you made your proposal sometime back, I perhaps would have reconsidered but I have spent -- there is no point in saying -- I have spent so much time in doing this charge and I am not going to change it.

MR. LESCH: I truly regret that. I did not want to say anything to the Court until I have had a chance to review all the cases in this matter.

In the Kelly case, there were 28 defendants and 28 co-conspirators. In this case of course there are only three defendants and I think the evidence is very clear as to what evidence applies to what I mean.

Mr. Drayer, the principal evidence that relates to him is the evidence that relates to the three wooden tickets. That is Roger Drayer. Mr. Barry Drayer obviously the principal evidence that relates to him is the evidence concerning Cohen, Ventura and the South American group.

The rest of the evidence in this case, I think some obviously, some oversimplification, but the rest of the evidence in this case relates to Mr. Corr.

My fear, your Honor, is that if your Honor marshals the evidence in this case, it will appear to the jury as if your Honor is showing them that there is a great deal of evidence against Mr. Corr.

Frankly, I am far more worried about anything that your Honor says and the impact that it has on this jury than the impact that Mr. Sorkin may say or indeed I say.

I have seen the way this jury looks at your Honor and respects your Honor as we all do and I am terribly

afraid that no matter what your Honor says the process of marshaling the evidence will be misunderstood by the jury as an effect an additional summation for the prosecution.

So, I truly regret that I didn't say this earlier, your Honor. And that your Honor put in time on this matter, but the prospect of marshaling the evidence in a matter like this, I find very disturbing.

I have been in some other security cases and I have never it has never happened before -- in the cases that I have been in -- that the Judge has marshalled the evidence.

THE COURT: That he has?

MR. LESCH: It has not happened in the cases that I have been in.

THE COURT: I have made it a regular policy from the time I have been in the court. I often think these charges do not have relevant meaning unless I relate it to the facts.

MR. LESCH: I know that Mr. Sorkin will do an excellent job on summation and will fully relate all of the evidence that he has, and I am hopeful I will be able to bring to the jury's attention whatever circumstances there are that tend to exculpate Mr. Corr.

I would request that if your Honor, after hearing

the summations, comes to the conclusion that the lawyers have adequately marshalled the evidence, have made the issues clear, that in view of that additional fact, the Court not marshal the evidence and simply omit those pages from its charge.

THE COURT: Mr. Sorkin, how do you feel about it? I frankly would have welcomed in this case the suggestion had it been made originally. As I say, I unhesitatingly acknowledge I have spent more time on this charge than any single charge I have ever worked on in this court.

My work is just about complete. I am still working on it. That is the truth. But if Mr. Sorkin feels that the case can be presented adequately as far as the fact situation is concerned through the summations, I will reconsider.

MR. SORKIN: Your Honor, I disagree with Mr. Lesch. I think it is proper. I think in a case where we will go over 5,000 pages, where we have heard 42 Government witnesses and there have been hundreds and hundreds of exhibits. While I don't expect your Honor and I do think it would be improper for your Honor to go into detail --

THE COURT: Certainly not. I am trying to do it in very broad strokes.

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MR. SORKIN: I think it is proper for the Court in a case of this nature to -- let me say this. The Court, I am sure, is going to instruct the jury as it has instructed the jury all along that they are not to draw any inferences from questions that the Court has asked, from the manner in which the Court has asked --

THE COURT: That is all in the charge. Let's not spend time on that.

MR. SORKIN: I think any marshaling of the evidence with an instruction along those lines can't be anything but a means of directing the jury to the charges in the indictment.

MR LESCH: May I remind the Court of what Judge Friendly said in the Kahaner case.

THE COURT: I am fully aware of it and with the greatest respect to one of the greatest jurists I know, Judge Friendly; I was quite surprised when I saw the footnote in the Kahaner case. As I said I have taken great pride in every charge to every jury, I reviewed the evidence with the sole idea of relating the fact issues with respect to what the law is.

I must say a short time after the Kahaner case was decided, I came across a case in the New York State Court of Appeals which flatly made the statement that it

was error for the trial judge not to review the evidence. Of course, that was a state court ruling. Then thereafter the Kelly case came. It was the Kelly case that gave me great pause in this setup.

Despite what Mr. Sorkin just said, I understand his position. In this case I seriously did consider, if there had been a stipulation by the lawyers, not marshaling the evidence. The reason for that I think was the five weeks now the six week trial fairly well pinpointed the issues in the case as the testimony developed.

Also, not meaning to flatter you gentlemen, I think you have all done a very excellent job of protecting the interest of your respective clients. I think the facts have been developed and I am sure you can do an excellent job in bringing the jury's attention -- as I am sure you will -- the different positions.

Of course you do it as adversaries. My purpose would be only to point out the contention of both Government and defense with respect to the disputed fact issues and what the theories are on the part of all the litigants in the case.

MR. LESCH: May I just make a few more citations here because I think after Kelly --

THE COURT: They have said in a simple case --

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MR. LESCH: Actually, your Honor is fully familiar with a Nuccio, 373 F 2d 168 and the Tourine case, 428 F.2d. 865.

THE COURT: I am familiar with all of these cases. It may need a little putting together after five or six weeks --

MR. LESCH: I would simply ask your Honor at this point to reserve final decision on this until after you hear the summations of Mr. Sorkin and myself and then perhaps your Honor may conclude, I hope your Honor will conclude, that the issues are clear enough to the jury and that the testimony of particular witnesses as to which those issues relate that marshaling of the evidence is not necessary.

THE COURT: What is the position of Mr. Bell and -- position of Mr. Murphy.

MR. BELL: My position is, your Honor, if I had a totally clear choice I would lean towards asking your Honor not marshaling the evidence. I don't raise that feeling to the dignity of a formal motion. Am I correct we will have an opportunity between the time you finish your formal charge and the time your jury is sent up to deliberate we will have an opportunity to speak to your Honor about the charge including anything you might have

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said in the marshaling of the evidence.

THE COURT: After I deliver the charge, I call the lawyers in the robing room. I don't even invite them up to the side bar. I think you are entitled to the privacy of the robing room to make your exceptions.

MR. MURPHY: Once again I am out of step, your Honor. I am in favor of you marshaling the evidence in this case. I might say that it is the only protection for my client. I have been moving for a severance in this case. There is a huge amount of evidence that has gone against the principal defendant.

As the Kelly case said the only protection if you can't get a severance is for the marshaling of the evidence from the Court.

* * * * *

Look at those charts. $69,375 paid out of accounts. What did Kathleen Keogh get out of that? $57,000, what did Kathleen Keogh get out of that? $27,000, what did Kathleen Keogh get out of that? $28,000, what did Kathleen Keogh get out of that? The total amount is in ecess of $345,000. What did Kathleen Keogh get out of that? Where was it split up, when did it take place, what did she get? Mr. Corr says she divided it up in 1973. His explanation was in '73 he came to her, he said, want to divide it, she said, no. My new husband does not want any part of it. You just pay my taxes. Do you think for a moment that Kathleen Newberry, who is taking home $91 a week in 1972 would turn down any part of $345,000? Is

there any evidence, ladies and gentlemen, that when Mr. Corr came to her in '73 and told her let's split it up, that he told her how much was in her accounts? She testified she had no idea what was going on in those accounts. Nonewhatsoever. She even testified that she didn't even regard it as her stock in her accounts because she wasn't placing the orders.

But Mr. Corr said to the SEC, what accounts, he was asked, did Kathleen Keogh maintain in 1972 and he answered that she maintained accounts at Sterling Grace, Morgan Kennedy, Hartzmark. When Kathleen Keogh was asked, did you maintain those accounts, she answered no.

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period of time.

What a coincidence that Roger Drayer, who has known about Judo since early 1972, decides that the appropriate time to buy the stock is in October of 1972, when the market is under terrific pressure because of the short selling, when Mr. Corr is swapping his stock with Morgan, Kennedy, when there are rumors of a U. S. Attorney's investigation, when the T.S.&S merger or acquisition has been called off or postponed. What a coincidence. And what does buying do, ladies and gentlemen? You have heard it repeated repeatedly, over and over.

Buying creates demand. Buying makes the stock go up.

We submit to you that those orders were placed, not only from the testimony of Mr. Buschbaum and Kern and Rudnet, but those orders were placed in October of 1972 to maintain the market price of Judo securities so that Mr. Corr could complete his swap at Morgan, Kennedy, and bail out 40,000 plus shares.

There was testimony that the Morgan, Kennedy people, customers, bought the stock at $14 a share. There was also testimony that Mr. Corr, and these other people, sold at $12 or $13 a share. So the Morgan, Kennedy people, the customers, are buying it at least $1 more per share

than Mr. Corr is selling it, but the Morgan, Kennedy customers are buying it below the market, because on those days, ladies and gentlemen, according to Mr. Corr, Bruce Buschbaum was high bid. He was higher than anyone else. He was trying to break the short, says Mr. Corr.

The conversations in October, when they had those meetings, Buschbaum would remain high bid. Why? Mr. Buschbaum remains high bid so that Mr. Corr and his friends can sell out $600,000 worth of stock below the market, it could still be sold to the Morgan, Kennedy customers below the market, and Mr. Roger Drayer and Jenny Associates will maintain the price of the market by creating a lot of demand during that period of time.

Think of the incredible coincidence of it all, and think of the testimony of Buschbaum, Rudnet, Kern, Goldsand, Hays, and Baum.

* * * * *

Speaking, ladies and gentlemen, about Van Ess and Ventura and Cohen, they are big boys. Where today is Ventura's $80,000? Where today is Jose Cohen's $20,600? Where today is the $6,000 that Isaac Cohen used, $3,000 in a check, $3,000 from his checking plus, that he gave to Mr. Corr? Where is it. It was deposited into Mr. Corr's account, that $3,000 check.

MR. LESCH: I must say I object to this, your Honor. There is no evidence in the record as to where those funds are. We were prohibited from showing what the losses were. We have not been able to go past June of 1973 on this matter, and I don't think that the prosecutor's remarks on that, suggesting that they have suffered a loss are proper in the context of what the evidence is in this case, your Honor.

THE COURT: Proceed.

MR. SORKIN: Let me tell you where it is, ladies and gentlemen. That is where it is. (Indicating)

That is where it is.

MR. LESCH: There is no evidence in this case, your Honor, as to where that money is today. Nothing whatsoever.

THE COURT: I will instruct the jury they are to make their own determination with respect to this matter.

* * * * *

Summing it up in a simple way, if in fact there was a partnership in crime, each partner acts and speaks for all the other partners in the furtherance of the partnership business, whether or not the others were then present or knew about it.

Under this partnership or agency concept,

if you find beyond a reasonable doubt that a defendant on trial was a member of the conspiracy before or at the time of the alleged substantive crimes, as charged in counts 12 through 33, to which I shall later refer, and if you further find beyond a reasonable doubt that one of the other co-conspirators committed the substantive crimes charged in those counts, during and in furtherance of the conspiracy, then you may find the defendant on trial, whose case you are considering, guilty of the substantive offense, even though he may not have been directly involved in its commission.

* * * *

The government contends that Corr was a control person because during the time period alleged in counts 2 through 9 he owned a substantial amount of Judo securities, and was responsible for mergers, acquisitions, bank financing, financial public relations, lines of credit, bringing the company to the attention of the brokers and dealers, and at the same time the owner of five of the company's franchises.

Corr, on the other hand, contends that he did not have the power to make the important decisions in the company, nor the power to appoint officers or elect its directors.

His contention is that Jerome Mackey, the chief executive and majority stockholder of Judo, had complete control and a veto power over every important corporate transaction, including any that Corr was authorized to handle for the corporation.

However, more than one person can be in control of a corporation, for control may rest with a group of persons.

Control is a fact issue for you to decide,

MD 81

based upon an appraisal of the overall effect of Corr's relationship to Jerome Mackey's Judo, Inc., and all the surrounding circumstances

If you do find that Corr was a control person of Judo, then the next issue to be decided is whether those to or through whom Corr sold, or caused to be sold, the shares of Judo were underwriters.

* * * * *

ILS:ma

Government Exh. 74 GX-74

MEMORANDUM OF AGREEMENT

WHEREAS, BARRY CHAJET has been cooperating with the United States Attorney's Office, prior to the date of the signing of this Agreement;

WHEREAS, the Grand Jury has filed an indictment, United States v. Barry Chajet, 75 Cr. 803 among others, charging BARRY CHAJET and others with violations of the federal laws pertaining to transactions in the securities of Jerome Mackey's Judo, Inc.;

WHEREAS, BARRY CHAJET has personal knowledge of facts, events and individuals involved in transactions pertaining to the securities of Jerome Mackey's Judo, Inc. and which information, if disclosed, would be and is of significant assistance to the United States in its investigation of Jerome Mackey's Judo, Inc.

IT IS HEREBY AGREED BY BARRY CHAJET, with the advice and consent of his attorney, Michael Richman, and by the United States Attorney's Office for the Southern District of New York, by Ira Lee Sorkin, Assistant United States Attorney:

1. BARRY CHAJET shall commit no crimes in the future and consents to be barred from employment as a registered representative, trader or principal of a broker-dealer, or an investment advisor, as those terms are defined in the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Advisors Act of 1940.

TLS:ma

Government Exh. 74

2. BARRY CHAJET shall testify truthfully before the Grand Jury and/or at trial with respect to any cases the Government is presently investigating.

3. BARRY CHAJET shall disclose all information with respect to the activities of himself and others in all matters which the Government is investigating or with respect to which the Government requests information.

4. BARRY CHAJET shall enter a plea of guilty to conspiring with James E. Corr, III, R. Bruce Buschbaum, and Allan Kern, among others, to commit mail fraud and manipulate the stock of Jerome Mackey's Judo, Inc., which will subject him to a maximum prison sentence of five years in prison and a $10,000 fine.

5. BARRY CHAJET understands that whatever sentence is imposed upon him is within the sole discretion of the sentencing judge and that the Government cannot make any promise or representation as what sentence he will receive.

6. The Government will inform the Judge who will sentence BARRY CHAJET of (1) this Agreement; (2) the nature and extent of BARRY CHAJET'S activities with respect to this case; (3) the nature and extent of BARRY CHAJET'S cooperation with the Government and the date when such cooperation commenced; and (4) all other information in its possession relevant to sentence.

7. Provided that BARRY CHAJET complies with all the terms of this Agreement, the Government shall, at the time of BARRY CHAJET'S sentence, move to dismiss all counts of the indictment filed to which he has not entered a plea of guilty.

ILS:ma

Government Exh. 74

8. In the event that BARRY CHAJET violates any of the terms of this Agreement, the Government will be free to prosecute BARRY CHAJET with regard to any and all violations of law of which it has evidence, including those contained in each count of this indictment.

September 12, 1975

BARRY CHAJET

PAUL J. CURRAN
United States Attorney for the
Southern District of New York
Attorney for the United States
of America

By:
IRA LEE SORKIN
Assistant United States Attorney
(212) 791-1983

MICHAEL RICHMAN
Attorney for defendant
Barry Chajet

Government Exh. 122 GX122

MEMORANDUM OF AGREEMENT

WHEREAS, JOHN COYNE has been cooperating with the United States Attorney's office, prior to the [illegible] signing of the Agreement.

WHEREAS, the United States Attorney has filed an Information, United States v. [illegible], (S.D.N.Y. 75 Cr. 1143) charging John Coyne with [illegible].

WHEREAS, JOHN COYNE has personal knowledge of facts and events of interest to the Government, including [illegible] certain transactions pertaining to the activities of Jerome Mackey's Judo, Inc., which information, if disclosed, would be and is of significant assistance to the United States;

WHEREAS, JOHN COYNE has entered a plea of guilty to [illegible] which will subject him to a [illegible] prison sentence of five years in prison and a $10,000 fine;

IT IS HEREBY AGREED by JOHN COYNE, with the advice and consent of his attorney, Gregory J. Fidis, Esq. and by the United States Attorney's Office for the Southern District of New York by Ira Lee Sorkin, Assistant United States Attorney:

1. JOHN COYNE shall commit no crimes in the future.

2. JOHN COYNE shall testify truthfully before the Grand Jury and at trial in any action in which the Government requests him to testify.

3. [illegible] which the Government is investigating or which may be [illegible] the Government with information.

BEST COPY AVAILABLE

Government Exh. 122

4. JOHN COYNE understands that whatever sentence is imposed upon him is within the sole discretion of the sentencing judge and that the Government cannot make any promise or representation as to what sentence he will receive.

5. The Government will inform the judge who will sentence JOHN COYNE of (1) this Agreement; (2) the nature and extent of JOHN COYNE's activities with respect to the case to which he pleaded guilty and the Jerome Mackev's Judo, Inc. case; (3) the nature and extent of JOHN COYNE's cooperation with the Government; and (4) all other information in its possession relevant to sentence.

6. Provided that JOHN COYNE complies with all the terms of this Agreement, the Government shall not prosecute JOHN COYNE in connection with any other crimes which he has committed and may disclose in the course of his cooperation with the Government.

7. In the event that JOHN COYNE violates any of the terms of the Agreement, the Government will be free to prosecute JOHN COYNE with regard to any and all violations of law of which it has evidence.

Government Exh. 122

ILS:ma

Dated: New York, New York,
April 2, 1975.

JOHN COYNE

THOMAS J. CAHILL
United States Attorney for the
Southern District of New York
Attorney for the United States
of America

By: _____
IRA LEE SORKIN
Assistant United States Attorney

_____
GREGORY J. FERRIN, ESQ.
Attorney for defendant
John Coyne

Defendant Corr. Exhibit

FILED
IN CLERK'S OFFICE
U.S. DISTRICT COURT E.D. N.Y.
OCT 29 1975
TIME A.M.
P.M.

DEFENDANT

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

A id

ADDRESS REPLY TO
UNITED STATES ATTORNEY
AND REFER TO
INITIALS AND NUMBER

RED:HJF:ljl
F. #741,964

United States Department of Justice

UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK
FEDERAL BUILDING
BROOKLYN, N. Y. 11201

October 28, 1975

Honorable Jack B. Weinstein
United States District Judge
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Re: United States v. Jerome Mackey
and William Nelson
Docket No. 75 CR 468

Dear Judge Weinstein.

We want to take this opportunity to make a recommendation to the Court in connection with the sentencing of Jerome Mackey and William Nelson, defendants in the above captioned case.

File + Docket

As you are well aware, it is the general policy of this office not to make recommendations concerning sentencing. However, we feel that in major consumer fraud cases there are special factors present which warrant different treatment, and that it is appropriate in such a special situation for us to make a recommendation concerning sentencing. The special factors present in these cases include: (1) the deliberate and carefuly planning and practice of fraud on a widespread basis; (2) injury, impact and inconvenience to a vast number of persons who become victims of the fraudulent scheme and who are not in a position to protect themselves, and (3) an effort on the part of the defendants to conceal and cover up the fraudulent scheme by making false excuses when these persons make complaints about the matter.

We feel that in light of these factors defendants who commit and engage in such major frauds should not be allowed to escape the consequences of their criminal acts through a plea at the time of their sentencing for a suspended sentence based on a claim that it is their first criminal offense, even when coupled with an offer to make

Defendant Corr - Exhibit A

restitution. It is our firm belief that deterrence of this kind of white collar crime will not be accomplished through the imposition of fines and a requirement of restitution alone. For the reasons stated herein, it is our policy in major consumer fraud cases to recommend that a sentence to a term of imprisonment be imposed.

The instant case is in our view a major fraud case falling within the above-stated policy. The defendants defrauded a large number of their distributors out of thousands of dollars. The evidence that evolved at the trial showed that the defendants agreed to carry out a well planned fraudulent scheme in which Jerome Mackey, the president of Mackey Distributors and William Nelson to a lesser extent would be insulated by Richard Taylor. There was ample evidence at the trial by victims of the fraudulent scheme as to their considerable financial loss, and the frustration and sorrow that they experienced. Furthermore, after the scheme to obtain the monies by fraudulent pretenses had terminated, the defendants attempted to conceal the fraudulent scheme by making false statements to victimized distributors as well as to the Nassau District Attorney.

Accordingly, for the above-stated reasons, we respectfully recommend that the defendants Jerome Mackey and William Nelson be sentenced to a term of imprisonment and incarcerated for an appropriate period of time.

Respectfully yours,

David G. Trager

DAVID G. TRAGER
United States Attorney
Eastern District of New York

cc:

Marvin Wolf, Esq.
1 Old Country Road
Carle Place, New York 11514

David McCarthy, Esq.
1527 Franklin Avenue Suite 310
Mineola, New York 11501

Defendant Corr Exh. B
EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

B

LAW OFFICES
GROMAN, WOLF & ROSS, P. C.

ROBERT H. GROMAN
MARVIN H. WOLF
RICHARD A. ROSS

ONE OLD COUNTRY ROA
516

November 5, 197

Honorable Jack B. Weinstein
Judge of the U.S. District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

NOV 1975

Re: U.S.A. vs. Jerome Mackey -
75-CR-468

Dear Honorable Sir:

I am writing this letter to request an adjournment of the sentence in the above-entitled matter, even though as of this date, no sentence date has been set.

I am writing this letter as a result of a telephone conversation that I had with Ike Sorkin, Esq., an Assistant United States Attorney for the Southern District of New York. Mr. Sorkin advised me that Mr. Mackey is an extremely important major witness in an indictment he is prosecuting in the Southern District Court of New York, before Judge Weinfeld. He advised me that Mr. Mackey has already cooperated extensively with the United States Attorney's Office and is continuing to do so. He suggested that in the interests of justice that I request that the sentence of Mr. Mackey be postponed so that the Court could have before it all of the pertinent information on behalf of Mr. Mackey including his cooperation with the U.S. Government, which will be made available to the Court by Mr. Sorkin.

Mr. Sorkin said that he anticipates the trial to be finished by the first week in January, 1976 and that I should request an adjournment of the sentence until perhaps some time around January 15, 1976.

Mr. Sorkin advised me that he had spoken to Mr. Friedman, the United States Attorney who prosecuted the Mackey case before Your Honor and that Mr. Friedman had said that he would not object to the adjournment under the circumstances.

GROMAN, WOLF & ROSS, P. C.

351a Defendant Corr Exh B

November 5, 1975

Honorable Jack B. Weinstein
U. S. District Court
Eastern District of New York
Brooklyn, New York
Page 2

Mr. Sorkin is also aware of the letter written to you by Mr. Trager. I, therefore, respectfully request that the date to be set for Mr. Mackey's sentence be set on or about January 15, 1976 so that the interests of justice for all parties may be served.

FILED
IN CLERK'S OFFICE
U.S. DISTRICT COURT E.D. N.Y.
★ NOV 10 1975 ★
TIME A.M.....
P.M.....

Very truly yours,

GROMAN, WOLF & ROSS, P.C.

Marvin H. Wolf

MHW/jl
File 1541
cc: Harold Friedman, Esq.
Assistant United States Attorney
cc: David McCarthy, Esq.
cc: Ike Sorkin, Esq.

Adjournment to January 15, 1976 granted
The clerk will enter Probation. So ordered

-2- Jack B. Weinstein

November 7, 1975

EXHIBIT
U. S. Dist. Court
S. D. of N. Y.

JEROME MACKEY'S JUDO, INC.
139 East 56th Street
New York, New York 10022

July , 1972

Mr. Harry Bradley
132 West [illegible] way
New York, New York 10013

Dear Mr. Bradley:

This will confirm our understanding that Jerome Mackey's Judo, Inc. ("Mackey") will acquire all of the capital stock of Telephone Sales and Service Co., Inc., Tele-Tapes Music Leasing Corp., and Telephone and Sound Sales, Inc. (collectively, "Telephone") on the following terms and conditions:

1. Mackey will issue in exchange for all of the issued and outstanding capital stock of Telephone 125,000 shares of Mackey common stock with a contingent adjustment of said shares based on profits during 5 years not to exceed an additional 75,000 shares.

2. 10,000 of the aforementioned shares will be placed in escrow to be held in escrow for a period of 2 years to protect Mackey against any misrepresentations of the warranties contained in the definitive Purchase Agreement.

3. Mackey and you will enter into a five-year employment contract containing mutually satisfactory terms and conditions.

4. A definitive agreement will be expeditiously prepared by counsel for Mackey, which agreement will be subject to your approval and the approval of the Board of Directors of Mackey. This agreement will contain mutually satisfactory provisions common to an acquisition agreement including registration rights, the increase in number of shares dependent on market price, and other terms set forth in the document dated July 11, 1972 marked Exhibit "A".

It is understood that the aforementioned terms and conditions are only an

352A Defendant Corr Exh. R

expression of the mutual intent of the parties and should by no means be considered binding on the parties.

Very truly yours,

JEROME MACKEY'S JUDO, INC.

By: Jerome Mackey
Jerome Mackey

ACCEPTED AND AGREED TO:

Harry Bradley

EXHIBIT "A"

1. Immediate payment of loans outstanding from Telephone to Harry Bradley.

2. Release of Harry Bradley as guarantor on bank loans and loans from Telephone Pension Trust.

3. Continuation of present Pension Plan of Telephone Sales.

4. Continuation of present or equivalent group medical and life insurance for Telephone employees.

5. Employment contracts for certain key employees.

6. Stock option plan for key employees.

7. Payment of legal fees incurred by Telephone and/or Harry Bradley relating to the transaction.

8. Agreement between J. Corr and Mackey or Telephone concerning his services.

9. Position on Board of Directors.

Dated: July 11, 1972

DEFENDANT

Defendant Corr Exh. BB

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

BP

FPI-NI—4-8-74-30M-2001

J519000

FORM 8-A

RECEIVED
OCT 25 1972
INFORMATION PROCESSING

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

REC'D - S.E.C.
OCT 20 1972
(Fee Received)

FOR REGISTRATION OF CERTAIN CLASSES OF SECURITIES PURSUANT TO SECTION 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

JEROME MACKEY'S JUDO, INC.
(Exact Name of Registrant as Specified in its Charter)

New York
State of Incorporation

13-2523812
IRS Employer Identification Number

139 East 56th Street, New York, New York 10022
Address of principal executive office Zip Code

Securities to be Registered Pursuant to Section 12(g) of the Act

Common Stock, $.01 Par Value

Defendant Corr Exh. BB

ITEM 1. CAPITAL STOCK TO BE REGISTERED.

The "Description of Common Stock" contained in the Registrant's Registration Statement (Commission File Number 2-35806) dated August 16, 1971 is hereby incorporated by reference.

ITEM 2. DEBT SECURITIES TO BE REGISTERED.

Not Applicable.

ITEM 3. OTHER SECURITIES TO BE REGISTERED.

Not Applicable.

ITEM 4. EXHIBITS.

1.1. Specimen copies of the Common Stock.

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned duly authorized.

JEROME MACKEY'S JUDO, INC.

By H. Jerome Mackey
H. Jerome Mackey, President

Date: OCT 19 1972

Defendant Corr Exh. BB

DESCRIPTION OF CAPITAL STOCK

The only class of capital stock of the Company is the Common Stock (par value $.01 per share), of which the Company is authorized to issue 5,000,000 shares. Each share entitles its holder to one vote for directors and on all other matters. Stockholders are not entitled to cumulative voting rights in the election of directors. Therefore, holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors, and, in such event, the holders of the remaining less than 50% of the shares voting for the election of directors will not be able to elect any person or persons to the Board of Directors.

Stockholders will share equally in dividends, which are payable when and as declared by the Board of Directors out of funds legally available therefor. Holders of the Common Stock have no preemptive or subscription rights to subscribe for additional securities which may be issued by the Company. Upon liquidation, all holders of Common Stock are entitled to participate equally in the assets of the Company available for distribution to stockholders. All of the shares of Common Stock now outstanding, are fully paid and non-assessable and all shares offered hereby will, when issued, be fully paid and non-assessable.

The foregoing summary concerning the Common Stock of the Company does not purport to be complete. Reference is made to the Company's Certificate of Incorporation as amended and the By-Laws as well as the applicable statutes of the State of New York for a complete description concerning rights and liabilities of holders of the Company's Common Stock.

The By-Laws of the Company provide that the annual meeting of stockholders is to be held on the second Tuesday of April in each year at the Company's principal office.

The Franklin National Bank is the Transfer Agent for the Common Stock of the Company.

Upon completion of the Offering made by this Prospectus, the Company intends to furnish to its shareholders annual reports of its operations containing certified financial statements.

Defendant Corr Exh. DF

SECURITIES ACT OF 1933
Rel. No. 5418/August 30, 1973
SECURITIES EXCHANGE ACT OF 1934
Rel. No. 10370/August 30, 1973
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935
Rel. No. 16079/August 30, 1973
INVESTMENT COMPANY ACT OF 1940
Rel. No. 7373/August 30, 1973

NOTICE OF EXTENSION OF EFFECTIVE DATE OF RULE 5-02.1 OF REGULATION S-X AS IT RELATES TO DISCLOSURE OF COMPENSATING BALANCES

This release amends Rule 5-02-1 as it relates to the disclosure of compensating balances to defer for sixty days the date after which disclosure will be required on interim balance sheets while the Commission continues to consider comments received on proposed changes in rules and guidelines for compensating balances.

The text of the amended rule follows: [change is italicized]

Rule 5-02-1. Cash and cash items.

State separately (a) cash on hand and demand deposits; (b) funds subject to repayment on call or immediately after the date of the balance sheet required to be filed; (c) time deposits; and (d) other funds, the amounts of which are known to be subject to withdrawal or usage restrictions, e.g., as compensating balances or special purpose funds. The general terms and nature of such repayment provisions and withdrawal or usage restrictions shall be described in a note referred to herein. Funds subject to withdrawal or usage restrictions shall not be included under this caption unless they are reasonably expected to become available for current operations within one year. The requirement of this paragraph relating to disclosure of compensating balances is effective for financial statements covering periods beginning on or after December 30, 1972, but in no event shall such disclosure be required for financial statements filed prior to *October 31, 1973.*

By the Commission.

George A. Fitzsimmons
Secretary

SECURITIES EXCHANGE ACT

SECURITIES EXCHANGE ACT OF 1934
Rel. No. 10364/August 24, 1973

The Securities and Exchange Commission announced that the temporary suspension of over-the-counter trading in the securities of Jerome Mackey's Judo, Inc. ("Mackey"), located in New York, New York, will terminate at mid-night (EDT) August 27, 1973.

The Commission initiated the trading suspension May 10, 1973 because of questions concerning the market activity in Mackey stock. Management of the company had indicated to the Commission's staff that there had not been any unusual corporate developments or public announcements to justify the price rise in Mackey stock.

It appears that the public float in the stock, the number of shares available for public trading, is approximately 250,000 shares of which approximately 150,000 shares or 60% of such float may be controlled directly or indirectly by one person. It is possible therefore that Mackey's stock may be subject to erratic price movements.

In view of the foregoing, the Commission's staff will closely monitor market activity in securities of Mackey to assure compliance with the Federal securities laws.

The Commission cautions broker-dealers, shareholders and prospective purchasers that they should consider carefully the foregoing information along with all other currently available information and any information subsequently issued by the company.

Furthermore, brokers and dealers should be alert to the fact that pursuant to Rule 15c2-11 under the Exchange Act, no quotation may be entered, trades consummated or orders solicited unless and until they have strictly complied with all of the provisions of said rule. If any broker or dealer has any question as to whether or not he has complied with said rule, he should not enter any quotation or engage in any transaction, but immediately contact the staff of the Securities and Exchange Commission, Division of Enforcement in Washington, D.C. If any broker or dealer is uncertain as to what is required by Rule 15c2-11, he should refrain from entering quotations or engaging in other activity relating to the securities in question until such time as he has familiarized himself with said rule and is certain that all of its provisions have been met. If any broker or dealer enters any quotation or engages in any transaction which is in violation of said rule the Commission will consider the need for prompt enforcement action.

SECURITIES EXCHANGE ACT OF 1934
Rel. No. 10365/August 27, 1973

The Securities and Exchange Commission announced the termination of the suspension of trading in the securities of Pelorex Corporation ("Pelorex") effective at 12:00 midnight (EDT) on September 2, 1973. The Commission first initiated the suspension of trading on January 16, 1973, primarily because of questions raised concerning the unusual market activity in the common stock of Pelorex. With regard to the unusual market activity, it should be noted that in November, 1972 the bid for Pelorex was $65 and thereafter increased to $100 by January, 1973. During this period, there was a lack of adequate and accurate current information concerning the business operations and financial condition of Pelorex.

On August 27, 1973, the Commission filed a complaint in the United States District Court for the Southern District of New York seeking to enjoin Pelorex and Dr. Joseph Rait ("Rait"), its president and chairman of the board of directors, from further violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Complaint for injunction alleged that Pelorex and Rait violated

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 Defendant Corr Exh. EH

James Corr III
Summary of Gain or Loss in
Jerome Mackey Judo, Inc. Stock and Franchises

1. Investment in Capital Stock:		
A. Loss on Remaining Position (Worthless) on 1972 Purchases: Schedule on pages 2 and 3	$(207,311)	
B. 1973 Purchases - Schedule on page 4	(40,332)	
C. 1973 Purchases Assumed - Schedule on pages 5 and 6	(699,904)	
Total Cost of Capital Stock as of June 30, 1973		$ (947,547)
Net Profit on Stock Sold to June 30, 1973		51,987
Net Loss in Capital Stock		(895,560)
2. Investment in Jerome Mackey Judo School Franchises:		
A. In Corporations which held franchises as of June 30, 1973	(117,241)	
B. Corporate obligations personally assumed by James Corr prior to June 30, 1973 which have been paid to date	(92,226)	
Unrecouped Loss in Franchises		(209,467)
Total Loss		$ (1,105,027)

Defendant Corr Exh. EH

James Corr III
Summary of Purchase and (Sale) of Jerome Mackey Judo, Inc. Stock

Broker	Settlement Date	Number of Shares	Cost or (Sales Price)
Sterling	12/13/71	1,100	2,976
"	12/20/71	(1,100)	(3,730)
Hine & Co.	12/14/71	500	1,560
Fingerhut	2/29/72	8,100	26,728
Private Purchase	3/06/72	500	3,546
Sterling	3/07/72	(1,800)	(12,700)
Fingerhut	3/06/72	(1,000)	(7,092)
"	3/07/72	(1,700)	(12,056)
"	3/08/72	(2,800)	(19,857)
"	3/10/72	(2,200)	(14,207)
Fingerhut	4/07	3,500	19,622
"	4/10	2,500	16,109
"	4/10	700	4,832
"	4/24	(1,000)	(6,582)
"	4/25	(700)	(4,601)
Sterling	4/25	400	2,595
Sterling	5/04	200	1,313
"	5/12	700	7,114
Private Sale	5/15	(900)	(8,389)
Fingerhut	5/10	(2,200)	(14,531)
"	5/12	(5,200)	(37,588)
"	5/12	(2,000)	(19,153)
Fingerhut	5/24	3,800	32,957
Hayden	5/24	(1,000)	(8,936)
Hayden	5/31	(4,300)	(38,527)
Sterling	5/31	200	1,650
"	5/31	6,000	48,531
Sterling	6/15	1,500	14,859
Private Purchase (A)	6/20	125,000	156,250 (B)
Morgan	6/22	2,800	29,050
"	6/30	2,000	20,500
Private Sale	8/07	(1,500)	(20,265)
Halle	8/09	(1,000)	(13,891)
Sterling	8/18	(3,000)	(40,012)
Deutsch	8/22	1,000	14,586
Sterling	8/24	3,000	42,450
Private Sale	9/11	(1,000)	(20,200)
	Sub Totals	129,100	144,912

(A) Restricted Stock

James Corr III
Summary of Purchase and (Sale) of
Jerome Mackey Judo, Inc. Stock

Broker	Settlement Date	Number of Shares	Cost or (Sales Price)	
	Post-Split Position	258,200	(144,911)	
Halle	9/27	(1,000)	(14,387)	
Sterling	9/29	2,400	35,335	
Private Purchase	9/27	1,000	14,250	
" "	9/25	500	7,169	
Raymond James	10/10	(2,000)	(28,644)	
" "	10/10	(5,000)	(73,093)	
Sterling	10/17	6,600	95,354	
Dominick	10/17	6,000	89,256	
Morgan	10/18	(3,000)	(38,888)	
"	10/20	(10,000)	(129,625)	
Morgan	10/25	(2,500)	(32,406)	
Margolis	10/31	3,000	42,000	
Halle	11/02	(1,000)	12,777	
Edwards	12/07/72	6,500	51,061	(A)
Marg[illegible]	12/07/72	(3,000)	(19,746)	
	Unrestricted Position	6,700	51,061	(A)
	Restricted Position	250,000	156,250	(B)
	Total Position	256,700	207,311	
	Net Gain on Sales		(51,987)	

James Corr III
Summary of Purchase and (Sale) of
Jerome Mackey Judo, Inc. Stock

Broker	Settlement Date	Number of Shares	Cost
Raymond James	1/22/73	800	3,608
" "	1/19/73	7,800	42,276
" "	3/05/73	(2,000)	(11,250)
" "	4/13/73	200	1,898
" "	4/25/73	338	3,800
		7,138	40,332

James Corr III
Summary of Purchase and (Sale) of
Jerome Mackey Judo, Inc. Stock

Broker		Settlement Date	Number of Shares	Cost
Reynolds	- Cohen	12/29/72	3,000	20,669
	- Ventura	1/12/73	300	1,368
	- Ventura	1/15/73	500	3,500
Ray. James	- Van Ess	1/17/73	1,800	10,270
	- Ventura	1/12/73	1,700	7,759
	- Van Ess	1/12/73	2,400	12,557
	- Berman	1/19/73	1,100	6,329
	- Van Ess	1/19/73	800	4,404
Ray. James	- Ventura	1/25/73	6,100	31,426
	- Van Ess	1/25/73		
	- Berman	1/31/73	3,900	22,327
	- Berman	1/31/73	600	3,010
	- Berman	2/02/73	1,000	4,923
	- Ventura	2/02/73	1,000	5,530
	- Ventura	2/12/73	400	2,770
	- Ventura	2/13/73	1,500	9,409
	- Berman	2/12/73	1,900	9,294
	- Ventura	2/16/73	400	1,809
	- Ventura	2/19/73	600	3,842
	- Ventura	2/27/73	1,500	9,370
	- Ventura	3/01/73	1,100	6,450
	- Ventura	3/01/73	2,200	13,474
	- Ventura	3/03/73	3,000	20,030
	- Cohen	3/12/73	3,100	18,080
	- Ventura	3/12/73	4,600	25,082
	- Cohen	3/14/73	500	3,042
	- Cohen	3/16/73	3,300	29,417
	- Ventura	3/16/73	2,000	
	- Cohen	3/21/73	2,500	15,009
	- Cohen	3/29/73	6,700	37,053
	- Cohen	3/30/73	7,000	39,802
	- Van Ess	3/30/73	2,500	14,049
		to next page	69,000	392,054

Defendant Corr Exh. EH

James Corr III
Summary of Purchases and (Sale) of
Jerome Mackey Judo, Inc. Stock

6 of 6 pages

Broker	Settlement Date	Number of Shares	Cost
- Cohen	4/02/73	900	5,156
- Cohen	4/19/73	1,000	6,102
- Van Ess	4/23/73	200	2,050
- Van Ess	4/24/73	2,500	25,524
- Van Ess	4/26/73	3,000	22,480
- Cohen	5/03/73	1,400	11,412
- Cohen	5/09/73	2,200	18,860
- Van Ess	5/11/73	700	7,[illegible]7
- Cohen	5/11/73	4,400	45,487
- Ventura	5/11/73	1,700	18,067
- Ventura	5/17/73	100	1,112
- Cohen	5/16/73	100	1,117
- Ventura	5/17/73	3,661	39,737
- Cohen	5/17/73	3,400	37,343
- Van Ess	5/18/73	2,000	22,314
- Van Ess	5/31/73	2,000	26,841
- Cohen	6/01/73	850	10,446
- Van Ess	6/01/73	500	6,145
		99,611	699,904

[illegible]

COUNSEL

In the presence of the attorney for the government the defendant appeared in person on this date [illegible]

[ ] WITHOUT COUNSEL However the court advised defendant of right to counsel and asked whether defendant desired have counsel appointed by the court and the defendant thereupon waived assistance of counsel.

[X] WITH COUNSEL MICHAEL LESCH, ESQ.
(Name of counsel)

PLEA

[ ] GUILTY, and the court being satisfied that there is a factual basis for the plea, [ ] NOLO CONTENDERE, [X] NOT GUILTY

FINDING & JUDGMENT

There being a [ ] jury [ ] court verdict of [ ] NOT GUILTY. Defendant found guilty of unlawfully, wilfully and knowingly and conspiring to use mails and instrumentalities of interstate commerce and the mails to employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of Judo stock and by unlawfully, wilfully and knowingly and conspiring to use the mails to further a scheme and device to defraud.(T.15,USC,§§78j(b),78ff; 17C.F.R.,§240.10b-5; T.18,USC §§371,1341); unlawfully,wilfully and knowingly wire; telephone communications and the mails in the sale of unregistered securities,(T.15,USC §§77e(a),(c);and making false statements in a loan application made to a bank,the deposits of which were then insured by the F.D.I.C.(T.18,USC §§1014,2)

Defendant has been convicted as charged of the offense(s) of [illegible]

SENTENCE OR PROBATION ORDER

The court asked defendant whether he had anything to say why judgment should not be pronounced and because no sufficient cause to the contrary was shown, or appeared to the court, the court adjudged the defendant guilty as charged and convicted and ordered that: The defendant is hereby committed to the custody of the Attorney General or his authorized representative for imprisonment for a period of TWO (2)

ONE HALF (2 1/2) YEARS on each of counts 1 thru 9; 11 & 23,24,25 & 27 thru 33 to run concurrently with each other.

-AND-

TWO(2) YEARS on each of counts 12 thru 17; 19 thru 22; and at 26 to run concurrent with each other and concurrently with sentence imposed on counts 1 thru 9 & 11 & 23,24,25 & 27 thru 33.

Defendant FINED $10,000.00 on count 1. Defendant to stand committed until the fine is paid or he is otherwise discharged according to law.

-AND-

SPECIAL CONDITIONS OF PROBATION

Defendant continued on bail pending appeal on condition that all orders and directions of the Court of Appeals be complied with for a prompt disposition of the appeal.

This sentence to run concurrently with sentence imposed this date on Indictment 75 Cr.Cr. 1059(CH)

ADDITIONAL CONDITIONS OF PROBATION

In addition to the special conditions of probation imposed above, it is hereby ordered that the general conditions of probation set out on the reverse side of this judgment be imposed. The Court may change the conditions of probation, reduce or extend the period of probation at any time during the probation period or within a maximum probation period of five years permitted by law, may issue a warrant and revoke probation for a violation occurring during the probation period.

The court orders commitment to the custody of the Attorney General and recommends [illegible]

It is ordered that the Clerk [illegible] a certified copy of this judgment and commitment [illegible] and of other [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

BEST COPY AVAILABLE

76-1115

[redacted] MUTUAL INSURANCE COMPANY

[redacted] OF NEW YORK

JAMES E. CORR, III

DOCKET NO. 75 CRIM 1059 (EW)

JUDGMENT AND PROBATION/COMMITMENT ORDER

COUNSEL

In the presence of the attorney for the government the defendant appeared in person on this date — MONTH MARCH DAY 5 YEAR 1976

[ ] WITHOUT COUNSEL However the court advised defendant of right to counsel and asked whether defendant desired to have counsel appointed by the court and the defendant thereupon waived assistance of counsel.

[XX] WITH COUNSEL MICHAEL LESCH, ESQ.
(Name of counsel)

PLEA

[ ] GUILTY, and the court being satisfied that there is a factual basis for the plea, [ ] NOLO CONTENDERE, [XXX] NOT GUILTY

FINDING & JUDGMENT

There being a [redacted]/verdict of [ ] NOT GUILTY. Defendant is discharged
[XXX] GUILTY.

Defendant has been convicted as charged of the offense(s) of unlawfully, wilfully and knowingly contrary to oath, making false material declarations before a Grand Jury (Title 18, §1623, United States Code). As charged in count 1. Unlawfully, wilfully and knowingly making false, fictitious and fraudulent statements and representations to the S.E.C. (Title 18, §1001, United States Code). As charged in counts 2-4-6-7-9-10-11-12

SENTENCE OR PROBATION ORDER

The court asked whether defendant had anything to say why judgment should not be pronounced. Because no sufficient cause to the contrary was shown, or appeared to the court, the court adjudged the defendant guilty as charged and convicted and ordered that The defendant is hereby committed to the custody of the Attorney General or his authorized representative for imprisonment for a period of TWO AND ONE HALF(2 1/2) YEARS on each of counts 1,2,4,6,7,9,10,11,12 to run concurrently with each other and concurrent with sentence imposed this date on Indictment # 75 Crim 803.

SPECIAL CONDITIONS OF PROBATION

ADDITIONAL CONDITIONS OF PROBATION

In addition to the special conditions of probation imposed above, it is hereby ordered that the general conditions of probation set out on the reverse side of this judgment be imposed. The Court may change the conditions of probation, reduce or extend the period of probation, and at any time during the probation period or within a maximum probation period of five years permitted by law, may issue a warrant and ... probation for a violation occurring during the probation period.

COMMITMENT RECOMMENDATION

The court orders commitment to the custody of the Attorney General and recommends,

It is ordered that the Clerk deliver a certified copy of this judgment and commitment to the U.S. Marshal or other qualified officer.

MAR 5 1976

S. D. Of N.Y.

(3)

[ ] Judge
[ ] Magistrate

EDWARD WEINFELD

Date MARCH 5, 1976

BEST COPY AVAILABLE

A 202 Affidavit of Personal Service of Papers

LUTZ APPELLATE PRINTERS, INC.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

UNITED STATES OF AMERICA,
Plaintiff-Appellee

- against -

JAMES E. CARR
Defendant-appellant

Index No.

Affidavit of Personal Service

STATE OF NEW YORK, COUNTY OF NEW YORK *ss.:*

I, **James A. Steele,** *being duly sworn, depose and say that deponent is not a party to the action, is over 18 years of age and resides at* 310 West 146th Street, New York, New York

That on the **9th** *day of* June *19* 76 *at* 1) 275 Madison Avenue, New York, New York
2) 1 St. [illegible] Plaza, New York, New York

deponent served the annexed **Appendix** ~~Brief~~ *upon*

1) Joan Goldberg
2) Ira Lee Sorkin Assistant U.S. Attorney

the **Attorneys** *in this action by delivering a true copy thereof to said individual personally. Deponent knew the person so served to be the person mentioned and described in said papers as the* *herein.*

Sworn to before me, this **9th** *day of* **June** *19* **76**

Robert T. Brin

ROBERT T. BRIN
NOTARY PUBLIC, State of New York
No. 31-0418950
Qualified in New York County
Commission expires March 30, 1977

James A. Steele
JAMES A. STEELE